Austria ... Sch 18	Indonesia .. Rp 2500	Portugal .. Esc 80
Bahrain .. Din.0.650	Italy .... L 1200	S. Arabia .. Rls 6.00
Belgium BFr.38	Japan Y550	Singapore . S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain .... Pts 100
Cyprus ... C£0.60	Kuwait ... Fils.500	Sri Lanka ... Rup 30
Denmark .. Dkr 7.25	Lebanon .. £L 6.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr.38	Switzerland SFr 2.00
Finland .. Fmk 5.50	Malaysia .. Rin 4.25	Taiwan ... NT $95
France ... FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 180
Greece .... Dr 60	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 8.00	U.S.A $1.50
India .... Rup. 15	Philippines . Pes. 20	

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,505 — Thursday December 20 1984 — D 8523 B

Trafalgar House chief in profile, Page 10

NEWS SUMMARY

GENERAL

U.S. plan 'no threat to unity of West'

U.S. Defence Secretary Caspar Weinberger vigorously rejected suggestions that President Ronald Reagan's so-called "star wars" initiative would tend to decouple the military security of Western Europe from that of the U.S.

In London, Soviet Politburo member Mikhail Gorbachev told UK opposition party leaders that Moscow set no pre-conditions to talks on nuclear arms control and disarmament. **Page 12**

Spain tariff pledge

Spain has pledged to cut its general industrial tariffs on imports from the EEC to nil over seven years after joining the Community. **Page 12**

Opec rift

Opec's chances of agreement on price differentials received a blow when the United Arab Emirates continued opposition to proposed changes. **Page 2**

Israel aid request

Israel presented the U.S. with a record aid request of $4bn for 1986 and an additional $850m for next year. **Page 3**

Mayor arrested

Mayor of Arolsen in the West German state of Hesse has been arrested in East Germany on charges of trying to help East Germans escape to the West.

Soviet train fails

A Soviet underground train, hailed as the vehicle of the 21st century, has been scrapped after 15 years of tests in which the suspension and power units broke down.

New Poet Laureate

Ted Hughes, 54, has been appointed Poet Laureate to succeed the late Sir John Betjeman. **Page 9**

French budget split

The French Communist Party voted against the Socialist Government's 1985 budget in the National Assembly, widening the split between the left-wing parties. **Page 2**

U.S. drops diplomats

U.S. Secretary of State George Shultz plans to replace politically appointed officials and diplomats with foreign service officials. **Page 4**

South Africa sued

A black American dancer who claims his arms and legs were paralysed because he was refused treatment because of his colour filed a suit against South Africa for $130m.

Austria dam clashes

Police and demonstrators clashed in Hainburg, Austria, when environmentalists continued attempts to halt construction of a dam that, it is claimed, will destroy Europe's last primaeval forests.

Pakistan poll

Pakistan President Zia ul-Haq appeared to fall short of the large turnout he campaigned for in a referendum designed to ensure him five more years in power. **Page 3**

Basque head quits

Sr Carlos Garaikoetxea, head of the Basque autonomous government has tendered his resignation saying he has lost the confidence of the party.

Highest underground

The world's highest underground railway, 1.5 km long climbing 500 m and costing $11.7m was opened at Swiss ski resort, Saas Fee.

BUSINESS

Sony lifts profits to record Y71.4bn

SONY, Japanese electrical group, more than doubled net profits to a record Y71.4bn ($289m) in the year to October 31. Sales were also ahead strongly to Y1,262bn from Y1,111bn. **Page 15; Lex, Page 12**

DOLLAR improved in London to DM 3.099 (DM 3.087), FFr 9.485 (FFr 9.4575), SwFr 2.558 (SwFr 2.522) and Y247.7 (Y246.7). On Bank of England figures, its exchange index rose to 143.2 from 142.7. In New York it closed at DM 3.1095, FFr 9.5125, SwFr 2.569 and Y247.85. **Page 30**

STERLING fell to another record low against the dollar in London, down 1.15 cents to $1.1745. It also fell to DM 3.64 (DM 3.66), FFr 11.145 (FFr 11.2225), SwFr 3.0025 (SwFr 3.0125) and Y291.0 (Y292.5). The pound's exchange index was also at an all-time low of 73.3 from 73.6 yesterday. In New York it closed at $1.169. **Page 30**

WALL STREET: The Dow Jones industrial average closed 3.53 down at 1,208.04. **Section III**

LONDON equities continued their advances, despite sterling's slide. The FT Ordinary index added 2.7 for a fourth consecutive record close of 942.6. Gilts ended lower. **Section III**

TOKYO stocks moved strongly ahead with the Nikkei Dow market average gaining 98.22 to 11,558.43 – nudging the all-time high recorded on December 4. **Section III**

GOLD rose 50 cents on the London bullion market to $309.75. It also improved in Zurich to $309.55. In New York, the Comex January settlement was $309.10. **Page 31**

CHINA'S grain and cotton harvests this year were at record levels, according to the country's state statistical bureau.

WHITE HOUSE reached agreement with seven leading steel exporting nations restricting their supplies to the U.S. market, in most cases for five years. **Page 12.** South Korea agreed separately to limit its exports to 1.9 per cent of the U.S. market.

FRENCH Government Bill is calling for greater disclosure of complex shareholdings and will impose stricter rules on the holding of a company's shares by its own subsidiaries. **Page 13**

CRÉDIT Commercial de France, state-owned deposit bank, signed co-operation agreement on merger advice with Lehman Brothers International,

NORTH CAROLINA National Bank is to buy 29.9 per cent stake in Panmure Gordon, a medium-sized London stockbroker. **Page 12**

LAZARDS, the London-based merchant bank, is linking with Credit Capital Finance of Bombay to provide banking and financial advisory service in India. **Page 15**

SWEDISH forestry group Södra Skögsagarna is to buy back the 40 per cent of its shares held by the state in a deal worth Skr 750m ($85m).

CATHAY PACIFIC Airways has settled a dispute with its flight attendants, ending a one-day strike that left thousands of passengers stranded.

UNION CARBIDE, U.S. industrial and chemical group, is selling its welding and cutting systems division to a management-led investor group for $70m. **Page 13**

DAON Development, Canadian property group that came close to collapse two years ago, recovered from a loss last year of C$35.7m to a profit of C$50.1m. **Page 13**

We apologise for any typographical errors in this edition resulting from action by the National Graphical Association and Sogat members in the FT reading room in London.

U.S. growth rate rises to 2.8% in fourth quarter

BY STEWART FLEMING IN WASHINGTON

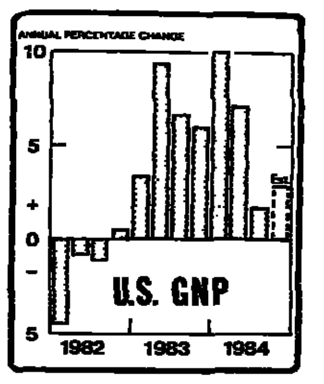
THE U.S. economy is expanding at a sluggish 2.8 per cent real annual rate in the fourth quarter, according to the "flash" estimate released yesterday by the Commerce Department.

That is slightly faster than the revised 1.6 per cent real rise in the third quarter but not rapid enough to remove fears among many economists that the second-half pause in the economic expansion is not yet over.

Mr Malcolm Baldrige, Commerce Secretary, yesterday maintained that the upturn in the fourth quarter pointed towards a revival of economic growth. "Lower interest rates and increased consumer spending should spur the growth so long as inflation remains moderate," he said.

"The slowdown is mostly behind us," he added. "This year the economy came in like a lion and it is going out like a lamb. This wide swing reflects neither the economy's long-run potential nor its most desirable growth path."

The Commerce Department data released yesterday will be seen on Wall Street as at best tentative evidence of a revival of economic growth, which reached a real annual rate of 8.6 per cent in the first six months, before falling unexpectedly in the third and fourth quarters. The "flash" estimate covers data relating to developments during only the first six or so weeks of the final quarter.



One of the biggest uncertainties hanging over the economic outlook currently is the strength of retail spending in the pre-Christmas period. Although retail sales picked up sharply in November, it is still not clear whether retailers are enjoying a strong Christmas which will boost the economy in the first few months of 1985. Partly for that reason, there are wide divisions among economists about the outlook for the first few months of 1985.

Those uncertainties will have been on the minds of members of the Federal Reserve Board's monetary policymaking Open Market Committee at its meeting on Monday and Tuesday. The Fed has responded quickly to the economic slowdown in the second half of the year, helping to engineer a sharp decline in interest rates of more than 2 percentage points.

Many Wall Street economists are arguing that recent Fed actions in the money markets point to another move by the Fed to ease monetary policy, and there is widespread speculation that central bank may shortly cut its discount rate once again.

It is partly the perception that the Fed is now actively, albeit cautiously, adopting a more stimulative monetary policy that underpins the judgment of economists who argue that the U.S. economy will bounce back next year.

The Commerce Department yesterday cited increases in consumer

Continued on Page 12

Defence plan heavy blow to wider spending cuts

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan's strategy for reducing the $210bn federal budget deficit through an all-out attack on government spending has been dealt a perhaps fatal blow by his decision not to demand big cuts in Defence Department spending.

That is the judgement being made by the overwhelming majority of budget experts and members of Congress who follow the budget process closely.

Although Senator Robert Dole and Representative Mr Thomas P. O'Neill, respectively leaders of the Republican and Democratic parties in Congress, have carefully avoided public comment on the President's decision since it was announced on Tuesday, other senior members of both parties have made clear that they see the Administration's decision as a setback for budget cutting measures when Congress reassembles next year. Some are suggesting that the decision may bring closer a move in Congress to raise taxes to tackle the budget deficit.

Senator John Chafee, a Republican, has said the proposal to seek only $28bn of defence spending cuts in fiscal years 1986-88 compared with $164bn of domestic spending reductions, "borders on a sham." Mr James Jones, the retiring Democratic chairman of the House of Representatives Budget Committee, said that the Administration's package, without meaningful defence cuts, "won't have credibility on Capitol Hill."

President Reagan will present his proposed budget to Congress early next year. Since ultimately it is Congress that makes the final spending and taxing decisions, the White House's recommendations now being made are as much decisions about what negotiating strategy to adopt with Congress on the budget as they are hard proposals which the President expects to see enacted.

Indeed, it is evident from the decisions the President is making on his budget proposals that he has decided to adopt his traditional negotiating stance of taking a tough opening position rather than putting forward at the start recommendations which he expects to form the basis of a bipartisan compromise on the budget.

Even before the defence spending announcement, the draconian cuts in domestic spending that have been tentatively approved by the President have drawn hostile reactions on Capitol Hill, and hostility to them has increased now that defence spending has been left off so lightly.

The Administration must now expect that vigorous efforts will be mounted in Congress to make meaningful cuts in defence spending too. Those spending cuts, which the Defence Secretary, Mr Caspar

Continued on Page 12

Grundig dips DM 286m into red and warns of further loss

BY JONATHAN CARR IN FÜRTH

GRUNDIG, the West German consumer electronics concern, plunged DM 286m ($92.6m) into deficit in the year to March 31 1984 and does not expect to be back in profit until 1986-87.

Mr Hermanus Koning, the new Dutch chief executive, said the Grundig loss might be cut by about DM 100m this year, because of fairly buoyant turnover, lower stocks and cost-reduction measures.

However, he underlined at a press conference in Fürth that big structural changes, which alone would cost around DM 250m in coming years, were essential.

He did not specify what that would involve, despite being repeatedly asked whether factory closures would be needed and jobs lost. Grundig has been cutting its labour force sharply, from more than 38,000 in 1979 to less than 25,000.

Presentation of the 1983-84 report has been delayed until now because of differences between Dr Max Grundig, the founder, and Philips of Holland, which took management control on April 1, over the valuation of stocks.

Mr Pieter de Jong, another Dutch member of the Grundig board, said Philips had given a more "conservative" assessment of the value of the stocks, which include video tape recorders and television sets.

The valuation issue alone accounted for some DM 100m of the total loss of DM 286m, on sales down by 9 per cent to DM 2.78bn. In the previous year (1982-83) Grundig made DM 65m profit on sales of DM 3.04bn.

Other factors contributing to the loss included tough price competition, especially from the Japanese, and the costs of new product development and rationalisation.

Mr Koning rejected suggestions that Philips would not have decided to take control of Grundig if from the first it had been fully aware of the extent of the German company's losses.

He emphasised his belief that Grundig stood a good chance against the Japanese competition, with products such as the hi-fi version of the V-2000 system, the advanced VHS models and a range of highly sophisticated colour TV sets, where Grundig is easily the German market leader.

Mr Koning indicated that Grundig would be able to take advantage of some of Philips's basic research, but would preserve its own identity. He did not foresee new Grundig-Philips projects along the lines of the V-2000, which the two companies jointly developed.

Era ends with a whimper, Page 14

Signing of HK treaty 'heralds new era'

By Mark Baker in Peking

ZHAO ZIYANG, the Chinese Premier, yesterday heralded a "new era" in relation with Britain and the prospect of a substantial increase in trade with the UK, in the afterglow of the historic signature of the agreement restoring Chinese control of Hong Kong in 1997.

The signing ceremony with Mrs Margaret Thatcher, the UK Prime Minister, took place in the Great Hall of the People where China's paramount leader Deng Xiaoping was the man of the hour. As the aides took away the completed documents, the champagne was brought on and both premiers raised their glasses to Deng as their first toast.

"There is a new era in our relations because of this agreement," Zhao said. "This should be reflected in the co-operation between the two countries in the economic and trade fields."

British officials said Mrs Thatcher, had "pushed hard" on a range of commercial matters during nearly three hours of talks with the Chinese Premier.

Mrs Thatcher said afterwards that she had discussed potential British involvement in offshore oil development, coal mining equipment, aluminium smelters, railway rolling stock and the British Aerospace bid to sell the BAe 146 short-to-medium-range regional airliner to China.

The two leaders had also dealt with negotiations for GEC to provide conventional equipment for the new Daya Bay nuclear power station near Hong Kong. The deal is expected to be concluded early in the new year and may be worth as much as £1bn ($1.18bn) to Britain.

The Prime Minister quoted Zhao as saying that Sino-British trade was "smaller than it should be and smaller than they would like it to be."

It was agreed that a big British economic and trade delegation, headed by Lord Young, the Minister Without Portfolio, would visit China next March.

Britain's commercial prospects were further emphasised by Xinhua, the official Chinese newsagency, which said that "as the historical obstacles have been cleared away" Sino-British relations were bound to enter a new stage of "all round" development.

It pointed out that the volume of Sino-British trade had reached a record of more than £400m in the first eight months of this year and supported a prediction by Sir Peter

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Thatcher's fears, Page 12

Saléninvest files for bankruptcy

BY KEVIN DONE IN STOCKHOLM

SALENINVEST, Sweden's biggest shipping company and the world's largest operator of refrigerated cargo vessels, yesterday went into bankruptcy. It is one of the biggest financial collapses suffered by a Swedish corporation in the post-war period.

The cost to creditors of the bankruptcy will probably be more than SKr 2bn ($226m), said Mr Gunnar Rosengren, managing director. The company was forced to file for bankruptcy after a board meeting yesterday at which it was disclosed that negotiations on a SKr 1bn rescue proposed by Saléninvest at the beginning of November had failed.

Rapidly accumulating losses have exhausted the group's last financial reserves. Mr Rosengren said the group expected an operating deficit before extraordinary items of SKr 900m to SKr 1bn this year, with losses in all its main activities – refrigerated cargo, dry cargo, tankers and oil drilling.

The group had a turnover last year of SKr 5.3bn and a workforce of more than 2,000. It operated a worldwide fleet of more than 140 vessels of which it owned or partly owned around 65.

Its biggest operation was in refrigerated cargo, where it controlled more than 25 per cent of the world market, operating a fleet of more than 80 reefers (refrigerated cargo vessels) of which it owns 17.

The bankruptcy is expected to throw the world reefer market into confusion, as creditors around the world move to impound vessels at foreign ports.

Saléninvest-operated vessels transport three tenths of the world's exports of citrus fruit and a fifth of the total world cargo of bananas, as well as large quantities of other fruits, frozen meat and fish.

It was difficult to foresee what would happen to the fleet immediately, said Mr Sven H. Salen, the group's chairman. "Many will be seized in harbours around the world and the creditors and the liquidator will have to deal with that."

An attempt is to be made outside the bankruptcy to save at least the operational expertise of the refrigerated shipping activities by vesting them in a new company.

The new company, SRS Reefer AB, will be backed by SKr 100m in new equity capital guaranteed by an entrepreneurial Stockholm investment bank, Gyllenhammar and Partners. The company will own no ships, but plans to take over the management and organisation of the existing Salen Reefer Services, a division of the now bankrupt Saléninvest.

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£ falls to record low on oil fears

BY PHILIP STEPHENS IN LONDON

STERLING fell to a record low against leading currencies for the second consecutive day yesterday as foreign exchange markets remained sceptical that Opec ministers would be able to avert another drop in oil prices.

The sterling index, which measures the pound's value against the currencies of Britain's main trading partners, closed in London at an all-time low of 73.3, down 0.3 points from Tuesday.

Sterling has lost 1½ per cent of its value this week.

Foreign exchange dealers said that the pound was being affected by fears over oil pricing and the continued strength of the dollar.

The view of holders of the British currency was that the Opec Conference in Geneva had little chance of reaching an effective agreement to defend their prices into next year, the dealers said.

The extent of the pound's fall may have been exaggerated, however, by the relative thinness of foreign exchange markets ahead of the Christmas holidays.

Yesterday's decline pushed interest rates on the London money markets higher and brought losses of up to ¾ point for long-dated gilt-edged stocks.

In New York's foreign exchange markets, sterling continued to tumble, reflecting concerns about the impact of oil price changes. Sterling closed in New York at 1.169, a new low.

In contrast, the dollar remained firm against the other leading currencies to close at DM 3.1095, FFr 9.5125, SwFr 2.569 and Y247.85. Dealers described trading as "choppy" in a relatively thin pre-holiday market.

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CONTENTS

Forecast undermines French budget calculations for 1985

BY DAVID HOUSEGO IN PARIS

THE IMPROVEMENT in France's trade deficit will flatten out in the first half of next year according to the official statistics institute, Insee.

In its half yearly forecast on the French economy published yesterday, Insee foreses a deficit of FFr 12bn (£1.06bn) for the first six months of 1985, considerably worse than the budget calculations which assume France moving into trade surplus next year.

The gloomy prediction came on the same day as the Government announced a small trade surplus for November of FFr 800m on a seasonally adjusted basis. This brings the cumulative deficit for the 11 months to FFr 21.6bn.

In its budget projections, the government had assumed that the trade deficit would fall from FFr 43bn in 1983 to FFr 33bn this year, and then be transformed into a FFr 2bn surplus in 1985. Thus, the picture now emerging is that the improvement in the deficit this year has been sharper than expected but that the prospects next year are a good deal worse.

Insee says France will continue to run an average FFr 2bn a month deficit in the first six months because it will no longer have the benefit of an economic growth rate significantly below that of its trading partners.

It also says that the boost to French competitiveness provided by the 1983 devaluation of the franc will also have worn off by next year.

The sharp improvement in France's trade balance in the third quarter of this year, it says, was due in part to exceptional exports of cereals and diminished oil imports which are not likely to be repeated.

Should the Insee forecasts prove correct, they would add to the pressure on the Government to seek a devaluation of the franc within the European Monetary System in the first half of the year rather than risk pressure on the currency in the run-up to the parliamentary elections in March 1986.

Insee foresees France ending 1984 with a 12-month inflation rate of 6.7 per cent, compared with the 6.9 per cent it forecast six months ago. For the first half of 1985 it expects a cumulative 3.1 per cent increase in the consumer price index.

Its report sees the pace of industrial investment considerably slowing down next year to 3 per cent in volume terms after an anticipated 9 per cent increase this year. The current fifth plan had foreseen France maintaining a 9 per cent volume growth in industrial investment over the next five years.

Communists' budget vote widens left-wing division

BY PAUL BETTS IN PARIS

THE FRENCH Communist Party voted against the Socialist Government's 1985 budget in the National Assembly yesterday, further increasing the split between the two parties.

While its action caused no surprise, the decision underlines the profound divisions in the French Left following the Communists' departure from government last summer.

The Communists have always opposed the Socialist austerity policies oft he last two years, which reversed the expansionary approach of the Left-wing coalition's first year.

Since withdrawing, the Communists have sharpened their attacks against government economic and industrial policies.

Only the Socialist Party yesterday voted for the budget which involves FFr 995.2bn (£85bn) in total spending next year and a deficit of FFr 140bn. But while Communist deputies voted with the right-wing opposition, they were at pains to avoid saying in public that they were part oft he opposition.

By leaving the Government and adopting a harshly critical approach to Socialist policies, the Communists hope to stop the party's alarming electoral decline. But so far there is little evidence of this.

Indeed, they continue to be split by bitter internal divisions as the party's 25th congress in February approaches. Hardliners have reasserted control, but appear to have failed to silence completely the criticisms of reformist members.

Before the final budget vote in the early hours of yesterday, several amendments were introduced. Among the few final charges were wider loss carry-back provisions for French entreprises. Companies will now be able to claim up to five years, instead of three years, of accumulated losses as tax credits against future profits.

Swedish opposition plans to scrap wage-earner funds

BY DAVID BROWN IN STOCKHOLM

SWEDEN'S three opposition parties yesterday unveiled plans to abolish the controversial "wage-earner funds" scheme if they succeed in ousting the Socialist Government led by Mr Olof Palme in the late 1985 general election.

The plan calls for abolition of the "excess corporate profits tax" imposed last year to finance the union-controlled funds. Companies which have paid the tax will not be com pensated however. Instead, the assets will be distributed to individual Swedish savers.

To qualify for a share of between SKr 700-800 (£70-80) of the roughly SKr 5bn already collected, Swedes will be required to deposit a minimum of SKr 1,200 in special bank accounts by the end of 1987. The aim is to stimulaate voluntary private savings, said Mr Lars Tobisson, deputy leader of the Conservative Party.

An interim board of private sector experts will be called in to administer investment of the assets on the stock market and elsewhere over the two-year transition period.

The highly unpopular fund system, which is intended to bolster labour influence over corporate decision-making, was pushed through Riksdagen (parliament) late last year with the help of the small Communist Party, despite the unanimous opposition of the non-socialists and a majority of Sweden's voters.

Wage earner funds are expected to be a major issue in the forthcoming election campaign. The most recent opinion survey conducted by Statistics Sweden suggests the non-socialist opposition, led by the growing Conservative Party and including the centre and liberals, would win between 51 and 52.6 per cent ofthe vote if the election were held today.

UAE puts Opec price agreement in jeopardy

By Richard Johns in Geneva

THE CHANGES of the Organisation of Petroleum Exporting Countries reaching a smooth and even moderately convincing agreement on price differentials is threatened by the United Arab Emirates' continued opposition to proposals for changing the system.

As Opec's crucial ministerial conference began here yesterday Mr Mana Said al Otaiba, UAE Oil Minister, was still understood to be resisting a revision of the system whereby the prices for heavier crudes would be raised by about 50 cents a barrel and those for extra light varieties lowered by about 25 cents.

The meeting is bound to generate much heat over British moves to relate North Sea prices to prices on the spot market.

In his opening address Dr Subroto, the Indonesian Minister of Mines and Energy, who is president of the conference, deplored how "the North Sea producers deliberately indulged in pricing practices which can only adversely affect our determined struggle to stabilise the oil market."

He called on Britain and Norway to rethink their policies and "to join with us in a task which they must realise is the responsibility of all exporters."

The recommendation on differentials from the committee headed by Sheikh Ahmed Zaki Yamani, Saudi Arabian Oil Minister, falls well short of what the market generally believes to be necessary.

In the industry and among analysts the belief is that the gap must be narrowed if members are more or less to fulfil their quotas under the present ceiling of 16m b/d.

They also see the need for a cut in the price of Arabian Light from its present official rate of $29 a barrel to something like $27.50 if stability is to be restored to the market.

Failure to reach a plausible agreement on differentials could further undermine the market in two or three months time. General pessimism about the prospects accounts for the talk here about the possibility of a price-cutting war, which, Dr Subroto suggested, Opec was in a better position to win because of its lower production costs and larger reserves.

Sheikh Yamani appears to be totally committed to maintaining Opec's reference price at $29 and to have no room for manoeuvre on this score in his negotiating brief though for such cunning a tactician that cannot necessarily be assumed.

Saudi Arabia is broadly supported by other producers of heavy crude and other member who would regard closing the gap through bringing down the price of Opec's most important crude as a capitulation.

It remains to be seen what support UAE will obtain from other producers who are restricted predominantly to light crudes. Libya, which is one of them, must be in favour of the proposed formula inasmuch as Mr Fawzi Shakshuki, its acting Oil Secretary, is a member of the committee on differentials.

So too was Dr Otaiba, but he left Kuwait 12 days ago before the committee meeting called to discuss the question several hours before it was officially convened. Sheikh Ali Khalifa al Sabah, Kuwaiti Oil Minister, and Sheikh Abdul Aziz al Thani, Qatar's Minister of Finance and Petroleum, attended as "observers."

Dr Otaiba, who is chairman of Opec's market monitoring committee, is in an embarrassing position here because of his country's overproduction.

TARIFFS ON INDUSTRIAL IMPORTS FROM EEC TO BE PHASED OUT

Two bars to Spanish entry cleared

BY QUENTIN PEEL IN BRUSSELS

SPAIN HAS agreed to reduce its general industrial tariffs on imports from the EEC to zero over a period of seven years after it joins the Community—and to allow an increasing volume of cars to be imported at special rates.

The Spanish Government has also agreed to restrict the volume of its stee exports to the Community as long as it continues to subsidise its domestic steel industry after it becomes a full member.

Deals on the two key areas of transitional arrangements for industry were agreed between Spanish negotiators and the Ten early yesterday morning after two days of talks with EEC foreign ministers and top officials of the European Commission.

The industrial tariff agreement provides for reduced-duty car imports of up to 32,000 vehicles in the first year after Spanish accession, rising to 36,000 in the second year, and 40,000 in the third. Cars are currently subject to a 36.7 per cent import duty, and the reduced rate will be 17.4 per cent.)

The overall tariff agreement provides for Spanish duties to come down in a series of steps, with a slight element of front-loading: the level will be cut by 22.5 per cent in the first year, and by 52.5 per cent after the first three years, instead of in a eight equal steps of 12.5 per cent reductions. Apart from the car deal, no other special arrangements have been made for high tariff items.

The steel agreement was negotiated largely by Viscount Etienne Davignon, the European Industry Commissioner, in spite of strong Spanish opposition to any restraint of its exports. No similar restriction will be placed on Spanish imports of steel from the Ten.

It sets the level of steel imports from Spain by the present EEC members in 1986 — intended to be the first year after accession — at the average level of 1976 and 1977, and provides a formula for gradually increasing the level as Spanish steel subsidies are reduced.

The foreign ministers also succeeded in reaching virtual agreement on institutional arrangements, by which Spain wil have two Commissioners in Brussels, 60 members of the European Parliament, and 21 members oft he Economic and Social Committee. The one point which has been referred back to Madrid is a refusal by the EEC to concede a permanent vice-chairmanship of the European Investment Bank to Spain.

The ministers still have to tackle the most contentious areas of the enlargement negotiations — agricultural trade, wine and fish — at their next meeting in January.

Madrid relieved at pace of tariff cuts

BY TOM BURNS IN MADRID

AGREEMENT REACHED in Brussels over reducing Spain's high tariffs on imported industrial goods was greeted yesterday by Madrid officials with a degree of relief and satisfaction.

According to Sr Fernando Moran, the Finance Minister, "this tariff disarmament conforms to the principle sought by Spain, which is that the pace should be slower at the start than at the end."

Spanish industry is in great measure the product of extreme protectionism. The reduction of tariffs required for EEC entry has created greater concern for Spanish business than any other item on the agenda. Spain's acceptance of the common external tariffs, as well as of VAT, is reckoned to be equivalent to halving the effective level of trade protection for Spainsh products.

By sectors, the hardest hit will be metal products, electrical goods, textiles and clothing, but non-metallic minerals, chemicals, leather and shoes, wood and furniture and non-electrical machinery will also be facing the impact of serious tariff protection reductions.

In the circumstances, the timing of reducing tariffs was all important. Sr Moran believes that the agreement to spread the reductions over seven years and eight tranches is a positive one.

The tranches are 10 per cent, 12.5 per cent, two of 15 per cent, two more of 12.5 per cent and a final one of 10 per cent. The Community members had sought, during the negotiations, a faster reduction pace at the start of the seven-year transition period.

The agreement to close the chapter on tariffs raised at least one fear among members of the Spanish negotiating team. This is that should Spain fail ultimately to negotiate entry—and key fishing and agriculture chapters are still outstanding—the tariff reduction agreement could form the basis for renegotiating the 1970 preferential agreement between Spain and the Community.

Lower rates will allow car imports to soar

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, AND JOHN GRIFFITHS, MOTORING CORRESPONDENT

SPAIN is to boost substantially the number of cars it will permit to be imported at reduced rates from Common Market producers, as part of the EEC entry terms.

The tariff rate itself on the "low-duty" quota will be cut from the present weighted average of 23 per cent to 17.4 per cent from 1986.

From January 1987 the 36.7 per cent tariff on other EEC car imports will be cut at the same time by 22.5 per cent. Internal "discriminatory" taxes, which raise the total barrier on non-"low duty" to about 60 per cent, will be replaced by value added tax (VAT).

Mr Paul Channon, the British Minister for Trade, said yesterday: "The total barrier will have been halved one year after (Spain's) accession.

Subsequent reductions in the main tariff will see its disappearance by 1993, Mr Channon said.

Apart from the formal Spanish-EEC agreement, the Government hopes to reach a bilateral agreement with Spain to make interim improvements to next year's second-half quota which should lead to a 50 per cent increase on the UK's existing allocation on an annualised basis.

Even so, the arrangements are not likely to be welcomed wholeheartedly by the Common Market car producers, particularly by BL's Austin Rover subsidiary, which has complained frequently about the imbalance in trade of cars between the two countries.

Spain is a major exporter of cars to EEC members where they pay a tariff of only 4.1 per cent. The position has worsened considerably since General Motors brought its Opel Corsa/Vauxhall Nova car plant on stream 28 months ago.

In addition, in the UK's case, the major Spanish car producer Seat has been expanding its European sales network for its own cars, with imports due to start to the UK next year.

Mr Channon said, however, he saw the agreement as reasonable after what had been "extremely difficult negotiations." It would have been really drastic if the negotiations had broken down."

He said "it was the only way of getting Spain into the EEC – and I don't think you'll find much enthusiasm for the cars agreement in the Spanish press."

Under the terms of the current arrangements, Common Market countries can export 5,000 cars of between 1,275cc and 1600cc to Spain in the year to next April at a reduced tariff of 19 per cent. The UK allocation in that total is 1,184 cars.

Another 10,000 cars can be shipped into Spain from the EEC in the 1990 to 2800cc class at a reduced duty of 25 per cent. Included in that total is an allocation for the UK of 1,056 cars.

Commission to penalise 'superlevy' rebels

BY IVO DAWNAY IN BRUSSELS

THE EEC Commission acted yesterday to penalise member states which have refused to make "sueprlevy" payments for excess milk production.

The 14 Commissioners decided to withhold 25 per cent of advance dairy support funds, due in January, from the UK, France and the Benelux countries who they deem to have exceeded production quotas.

A ruling will be made today whether Ireland has also overproduced and should equally suffer the penalty.

The total value of the support funds withheld is expected to be about Ecu 100m (£560m). West Germany, which raised the levy in November, is exempt, and Denmark is deemed not to have breached its production ceiling.

The Italians and Greeks are not required to pay the levy until May, though the former face legal action by the Commission for failing to introduce administrative mechanisms for enforcing the system sufficiently quickly.

The Commission action amounts to the minimum it could do to save face in the light of refusals by most member states to accept its demand that the funds be raised from dairies this month.

The UK, the Netherlands and Luxembourg all refused to push ahead with the levy after France and Belgium said they could not introduce effective collection machinery in time.

Some Commission hawks had hinted in the interim period that it could halt all monthly dairy advances — averaging about Ecu 650m — but yesterday's decision will be decidedly less stringent than this.

The purpose of the Commission action is both to fire a warning shot at the renegade countries and to introduce clear disincentives for those who continue to refuse. It is implied that further funds will be withheld in future months until the levies are raised.

The Commissioners also decided to press ahead with legal actions against all the offending member states, though these will probably take several months to come to fruition.

Sceptics, however, are already doubting whether the Commission has the political will to continue this unprecedented penalty system when the new Commissioners meet for the first time next month.

Nevertheles, the impact felt by member states might induce some to reconsider their decisions to urge a postponement of all superlevy payments until March 31, the end of the official milk marketing year.

Andreotti treads warily on visit to Poland

BY CHRISTOPHER BOBINSKI IN WARSAW

THE ITALIAN Foreign Minister, Sig Giulio Andreotti, arrives here today for a three-day visit, the first by a senior Italian official since the imposition of martial law in Poland three years ago.

He will be treading warily in the footsteps of Mr Malcolm Rifkind, the British Foreign Office Minister, who laid a wreath at the grave of Jerzy Popieluszko, the murdered pro-Solidarity priest, while he was here last month.

Mr Rifkind's gesture, setting a precedent for subsequent Western visitors intent on re-establishing normal diplomatic relations with Poland, complicated the proces by enraging the Government here.

Last month also saw the abrupt postponement of a visit to Warsaw by Herr Hans Dietrich Genscher, the West German Foreign Minister, who had been under pressure to go to the grave. He gave Polish displeasure at the prospect as one of the reasons for the collapse of his visit.

Sir Andreotti, too, is under domestic pressure to visit the grave, while the Polish Roman Catholic Church, backed by the Vatican, is telling him that the sooner Poland emerges from its diplomatic isolation the better.

The Italians have registered no official view on the issue and a visit to the grave will not appear in the programme, which includes a meeting with General Wojciech Jaruzelski, the country's military leader, and Cardinal Jozef Glemp, the Catholic Primate.

It seems that Sig Andreotti will attend Mass at the church which stands next to the grave, giving him an excuse to pause at the site as he leaves.

He will also meet representatives of the banned Solidarity movement, a gesture to which the Government has decided to turn a blind eye. He will visit Torun University to receive an honorary doctorate

Italian Cabinet orders tax reform

By James Buxton in Rome

THE ITALIAN Government has virtually succeeded in putting into effect its controversial measure aimed at making small shopkeepers and the self-employed pay more tax.

Late on Tuesday night the Cabinet overcame its own deep differences on the measure to issue a decree which will introduce major changes in the tax system on January 1.

The Government of Sig Bettino Craxi was obliged to resort tothe use of a decree when it became clear that the parliamentary Bill containing the measure would not get through the Chamber of Deputies in time to come into effect next month. It had already passed the Senate, but only with immense difficulty.

The decree still has to be ratified by parliament within 60 days.

Getting the Cabinet to issue the decree is a major achievement for Sig Craxi, Italy's first Socialist Prime Minister, as well as for Sig Brun Visentini, the tenacious Minister of Finance. It is probably the most important action taken by this Government — which, having already lasted 17 months has proved one ofthe most durable in Italy's post-war history.

The five party coalition government has been under enormous pressure from the shopkeepers' organisation and from other pressure groups to scrap a clause in the measure which allows tax inspectors to assess a small businessman's profits and tax liability on the basis of his turnover and other factors.

It was extremely painful for the Christian Democrat Party, easily the biggest in the coalition, to subscribe to this clause, for its fears the loss of much of its traditional support among shopkeepers.

Although Sig Visentini agreed to introduce additional safeguards to govern the use of this method of tax assessment, the broad principle is unchanged.

The Christian Democrats were constrained in how far they could oppose the measure by their reluctance to bring about the fall ofthe Government. They also had to take into account the votes of their working-class supporters who are on fixed incomes.

Throughout the battle, which has ben raging throughout the autumn, Sig Visentini, who is chairman of the small Republican Party, maintained a steadfastness in defence of the measure that is uncharacteristic of most Italian politicians. He arfued that it was essential that the tax burden should be shared more equitably and that the gross evasion of taxes by small business and by professionals must stop.

His tax decree will end the system which small businesses can divide up their net income among many family members so that no one has to pay income tax.

Exports lift W. German car output

By John Davies in Frankfurt

STRONG EXPORT demand is continuing to increase West Germa motor vehicle output, in contrast to worrying signs of a setback in the domestic car market.

About 408,000 cars rolled off the assembly lines last month and about 248,300, or nearly 61 per cent, went for export. By comparison, 228,900 cars were exported in October, making up 58 per cent of the month's output of 395,100 cars. Last year, 56 per cent of the country's car production was sold abroad.

The rush to export cars is not only to take advantage of buoyant demand in the U.S., where the tstrong dollar is boosting earnings in terms of D-Marks. European export markets, too, have been offering better prospects to West German car producers.

Orders from motorists in West Germany, however, are continuing to taper off, according to the Automobile Industry Association. Domestic orders for new cars last month were well below the level of a year ago.

The industry says prospective buyers have been unsettled by government plans for tighter exhaust emission controls. After much debate, the Government has decided to encourage the progressive introduction of cars with U.S. emission standards by January 1, 1989.

Motor industry executives believe some buyers are delaying their orders because they are uncertain how the Government's plans will work out in practice.

Manufacturers are reluctant to forecast sales in West Germany next year as a result. But Volkswagen, the biggest car-maker, said this week that total new registrations were unlikely to reach this year's 2.4m.

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Politicians battle off screen for West German soul

Peter Bruce explains the turmoil within the private television industry

A SENIOR official at West Germany's biggest media concern, Bertelsmann, found himself at the receiving end of what he assumed to be a withering display of sarcasm from an American correspondent a few weeks ago. Why, his caller (apparently) sneered, were the Germans taking so long to introduce privately-owned television and radio? What, after nearly a decade of political debate, was all the full about?

"I suddenly realised," says the official ', that he really had no idea why. He wasn't trying to be funny, he just didn't understand."

Small wonder. Broadcasting regulation is complex in West Germany, and the pace of progress is slow. Politicians and those in the media industry tend to make grave references to the German soul and its apparent need for constant serious and "pluralistic" nourishment. The German soul, it appears, does not want to be burdened with trashy American soap operas.

This may be so, but the debate on the "new media" seems to be overwhelmingly ideological, with differences of opinion running on party lines. The governing Christian Democrats (CDU) and their conservative allies want to open the way to private sector broadcasting and the opposition Social Democrats (SPD) and the Greens party do not.

On January 1 Aktuell Presse-Fernsehens (APF), the first private satellite channel, comes into operation, broadcasting through a growing cable network to a potential 1.1m homes. Yesterday, however, for the ninth time this year, the leaders of West Germany's 11 Lander provinces and city states failed to agree on compromise proposals which would have allowed the simultaneous introduction of satellite and cable transmission nationwide or, at least, set up some uniform rules.

The sticking point has nothing to do with the German soul, but rather a lot to do with the post-war arrangement of German broadcasting. Anxious to avoid re-establishing the type of centralised broadcasting system that made Nazi propaganda easy to disseminate, the Allies set up a number of local networks in their different occupation zones after the War. One of them, in North Rhine/Westphalia, has grown into West Deutsche Rundfunk (WDR), the most powerful of the lot.

North Rhine Westphalia is governed by the SPD and its Prime Minister, Herr Johannes Rau, has effectively torpedoed attempts to reach unity on the introduction of private sector competition to the Lander-controlled networks (the Federal Government has no say in the matter).

He has insisted that WDR's radio channel be allowed to carry advertisements. It is not certain how many minutes a day he wants but even 40 to 50 minutes a day on WDR, which is supported by licence fees collected by the Bundepost, would make it virtually impossible for smaller private sector competition to get o ffthe ground.

Herr Rauß whose undisguised opposition to private sector broadcasting probably reflects the fears of many in the SPD that "new media" will be politically biased to the Right, has a further trick up his sleeve.

If, as seems likely, the conservative-controlled Läander, including Bavaria, Baden-Württemburg and Lower Saxony go ahead without North Rhine Westphalia, he has threatened then to go nationwide with WDR radio, through cable or satellite, in conjunction with a major and poltically sympathetic, newspaper group in the state. A sustained political battle on the West German airwaves is not improbable.

"We take (his) threat seriously. Itis very dangerous for us," says the CDU's party spokesman on media, Herr Dieter Weirich. One possibility then, he suggests, would be a similar counter move by Herr Hans Josef Strauss leader of the Christian Social Union (CSU) and his Bayerischerundfunk, station in Bavaria.

The fact that the SPD still controls two important Länder, North Rhone Westphalia and Hessen, as well as Hamburg and Bremen, has enabled it to delay the new media to an extent well beyond the party's tactical capabilities in the Bundestag, the federal parliament.

As a result, the Government's carefully laid plans, drawn up by Bundespost Minister Dr Christian Schwarz-Cchilling, for the cabling of the country now look decidedly untidy. One original idea was to set up four pilot projects in selected cities to learn about cable and satellite broadcasting. Despite the fact that the new age starts on New Year's Day, two pilot projects are still being built. The projects, says Herr Weirich, "are too late."

Hamburg, which has ambitions to become the country's new media capital, will probably join the CDU Länder in allowing APF, an association of 165 newspaper publishers using a channel on the European Communications Satellite (ECS) borrowed from the Bundespost, to broadcast into it. But who will advertise on a national channel not being seen in Frankfurt Cologne, Dusseldorf, Dortmund and Essen?

Television advertising in West Germany is in its infancy anyway. Last year TV advertising revenues amounted to some DM 1.3bn (£35m) or 8 per cent of national advertising turnover. Television took more than 30 per cent of UK advertising in 1983, by comparison.

This is largely because the Länder allow the two main channels, ARD (which groups a series of regional operations) and ZDF, which is centralised, only 20 minutes of advertising a day. The CDU wants to freeze the two channels' advertising revenues to roughly the current one third of total income (other income comes from licence fees), but it is quite possible that Herr Rau, whose smiles yesterday betrayed little concern at the havoc he is capable of causing, might take exception to that too when it suits him.

One important avenue the CDU (which has allowed Dr Schwarz-Schilling to spend nearly DM 2bn on cabling so far) has not yet explored is the courts.

Herr Weirich is convinced that, faced with the apparently conflicting constitutional cornerstones of freedom of information and the right of the Länder to decide what is broadcast in their regions, the courts would decide in favour of a free flow of information. He insists he will test the courts if the SPD Länder refuse to bend any further.

In the meantime, ambitious talk of German programmes being beamed by direct broadcasting satellite, which will not even require cable, looks increasingly like wishful thinking. The problems on the ground appear intractable, even comic.

"It would be leaughable if you could get cable television in Mainz (in Rhineland-Palatinate) and not in Wiesbaden (in Hessen) a few kilometres away," say Richard Ricker, who is overseeing one o fthe pilot projects. As from January 1, that is preicsely what will be happening.

S. Africa to give blacks say in local government

BY ANTHONY ROBINSON IN JOHANNESBURG

THE South African Government has announced far reaching changes in the local government structure under which white local authorities and business will help fund infrastructure and other development in black townships and black councillors will for the first time have a say in overall local policy issues alongside whites, coloured (mixed race) and Asians.

The new proposals, under which an estimated R1.3bn (£592m) annually will be raised for local improvements mainly benefiting black townships, are the fruit of two years study by the Croeser Commission, chaired by Mr Gerhard Croeser, head of public finance at the Department of Finance. A draft law will be presented for approval by Parliament next month.

They are designed both to give more effective local representation to blacks—denied under the new tri-cameral constitution at a parliamentary level—and to widen the tax base of the black townships.

Under the 1982 black Local Authorities Act the new council's tax base was limited to revenue from township rents and locally supplied utilities.

Black councillors had no alternative last September but to raise rents and service charges. This was one of the main factors which sparked off the wave of rioting in black townships which has cost more than 160 lives over the past three months.

Black councillors were among the main targets of mob violence. Four councillors died, many are still in hiding and only four of the 22 black town councils in the Pretoria-Johannesburg - Witwatersrand industrial conurbation are still functioning.

Under the new proposals all businesses and employers, including the Government, will pay a service levy related to their total wage and salary bill. Traders will also pay a levy based on a percentage of their total general service tax (GST) payments while professions and industries not liable to the GST will pay a levy based on the floor space they occupy. It is understood that the levies will be tax deductible thus placing part of the total burden on the general exchequer.

Under the new system, all local authorities—which are rigidly divided under the group areas act and other apartheid legislation into while, coloured, Asian an black townships—will be linked through joint services committees.

The proposed reforms mark a crucial step forward in the Government's stated commitment to compensate for the continuing exclusion of blacks from central government affairs by concrete acts to raise urban black living standards and increase black political representation at the so-called third tier or local and regional level.

It is designed both to head of a rising foreign, especially U.S., criticism of the apartheid system and the attendant moves to impose trade and investment embargos on South Africa. It is also aimed at boosting the power and prestige of black local councillors as part of a strategy of co-opting the more prosperous urban blacks into the system.

Police raid ITN bureau

BY OUR JOHANNESBURG CORRESPONDENT

SOUTH AFRICAN police with search warrants yesterday raided the Johannesburg bureau of International Television News (ITN), confiscating 33 television cassettes. Some date back to events in 1982 but most related to coverage of elections last August to the new Coloured and Asian Houses of Parliament, interviews with leaders of the anti-apartheid United Democratic Front (UDF) and political rallies and recent unrest in the black townships.

The cassettes were confiscated on the grounds that "they could afford evidence of the commitment of an offence or the suspected commission of an offence." The police are building up a case against eight prominent UDF activists, including five of the six men who sought refuge in the UK Consulate in Durban last September. They are all expected to face trial on treason

Low turnout in Pakistan referendum

A SUBSTANTIAL number of voters failed to turn out yesterday in Pakistan's nationwide referendum aimed at giving President Mohammad Zio-ul-Haq another five years term and endorsing his policies of Islamisation, Mohammed Aftab reports from Islamabad.

Although President Zia's military government stifled opposition calls for a boycott of the referendum, less than one third of registered voters cast their votes by closing time at some polling stations in the country's main cities. Polling had been extended for one hour because of what the Government claimed was a last minute rush of voters.

A total of 33.5m registered voters were entitled to cast their votes in Wednssday's referendum, which President Zia had announced in a surprise move on December 1.

In Lahore 15 people were injured and 24 arrested when police charged an opposition meeting where speakers accused the Government of widespread vote rigging. Elsewhere however was peaceful. The referendum seems certain to give General Zia a sweeping mandate for another five years as President.

Reagan accused of global threat

The policy of the Reagan Administration and its allies to restrict the resources available to the World Bank and the IMF in recent years has seriously undermined the two institutions and constitutes a threat to global economic stability, according to Mr Tony Killick, director of the London - based Overseas Development Institute, reports Patti Waldmeir.

Gas neutralised

Scientists and technicians at the Union Carbide plant at Bhopal heaved a sigh of relief last night when "Operation Faith" to neutralise the remaining 15 tons of deadly methyl isocyanate (MIC) gas in tanks of the pesticides factory came to an end after four tense days, reports K. K. Sharma from New Delhi.

Israel asks U.S. for 50% increase in aid

BY DAVID LENNON IN TEL AVIV

ISRAEL HAS asked the U.S. for a more than 50 per cent increase in its military and economic aid for the next U.S. fiscal year, which starts on October 1 1985 and for supplementary economic assistance this year.

In addition to the request for \$4.05bn (£3.3bn) next year, compared with \$2.6bn in grants for the current year, Israel is asking for \$800m in supplementary economic aid this year.

Mr Yitzhak Modai, the Finance Minister, yesterday explained to Mr Samuel Lewis, the U.S. ambassador, who received the formal request, that the supplementary aid was being sought to help the country overcome its balance of payments difficulties.

The ambassador told the Finance Minister "I feel confident that the Congress and the Administration will continue to provide substantial amounts of aid." But he noted that the U.S. has its own budgetary problems and because of this the Israeli request for increased aid "will have to be looked at even more carefully than would otherwise be the case."

The ambassador also urged Israel to take the tough economic measures which it has been contemplating to rehabilitate the economy. "It is clear that if Israel does not take those measures, no amount of aid could solve your difficulties," he said.

Israel wants next year's military grant increased from the current level of \$1.4bn to a record \$2.2bn and the civilian economic aid grant increased from \$1.2bn to \$1.85bn in the next fiscal year.

Meanwhile, Israel's simmering coalition crisis which threatens to break up the national unity government could boil over tonight when the ministers of the Right-wing Likud Bloc will have decided how to respond to the resignation on Tuesday of its ally Shas, a small right-wing religious party.

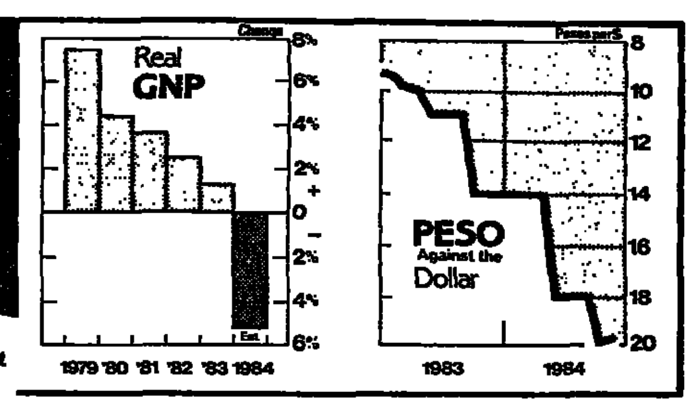
Members of the Likud bloc are emphasising the sevrity of the crisis, while the Labour Party which provides the premier in the national unity government is playing down the likelihood of the disintegration of the Government.

Mr Ariel Sharon, the Likud's Minister of Industry, flew back to Israel from New York to attend tonight's crucial meeting. He has been outspokenly in favour of his party quitting the coalition if the Sephardi Tora Guardians party (Shas) does not get the portfolio it is demanding.

Fearful Filipinos face the post-Marcos era

BY CHRIS SHERWELL, SOUTH EAST ASIA CORRESPONDENT, IN MANILA


President Marcos



LIKE a long-distance runner limping past the finishing line after the audience has gone, the Philippines has now concluded without fanfare a debt rescue package involving the International Monetary Fund and its commercial bank creditors.

Unlike the runner, however, the country cannot look forward to a quick or comfortable recovery. The real marathon is still to come, and the Government of President Ferdinand Marcos is widely expected either to lose track or fail to stay the course.

Few of the IMF's numerous recovery programmes since the 1960s have lasted in the Philippines, and the country's external debt of \$25.6bn is Asia's second largest behind the more dependable South Korea.

This time round, Mr Marcos has been obliged to take tough policy measures before seeing any fresh money. But it has taken him a full 14 months to do so, since the Government declared a moratorium on its debt repayments in October 1983 following the huge flight of capital triggered by the assassination of Opposition leader Benigno Aquino. The delay has, if anything, made the problems worse.

The rescue package involves an SDR 615m standby credit from the IMF, a \$925m new loan from 480-odd commercial bank creditors, a rescheduling of \$5.75bn of commercial debt and a restoration of \$3bn in trade credits.

So far the Marcos Government has had to tackle the structural problems of a persistent budget shortfall and a chronic balance of payments deficit through a now-standard stabilisation programme — slashing public (mostly capital) spending, raising new taxes and other revenues, devaluing the currency, encouraging exports and limiting imports.

The next IMF review of its efforts comes next month, and despite four devaluations since June 1983, a clean float of the peso is expected to be ordered which would take the currency down further from its present rate of just under 20 to the U.S. dollar—itself a 65 per cent drop in value in 18 months.

The toughest task for the Government will be to meet the money supply target. "Reserve money," the best local measure of liquidity, has to stay constant through to 1986 for the IMF and bank money to keep flowing, but the inflation rate is officially 60 per cent and almost certainly higher.

If this condition is met, therefore, the squeeze next year will be tight indeed. The price spiral is already hurting, but local companies, now laying off workers by the score, can be expected to shut altogether and banks will sink deeper into difficulty.

The new money coming in will offer scant help. The IMF credit is in fact far smaller than SDR 615m because some of it was disbursed under the previous failed programme.

Coping with this would be difficult enough for a sound government, but Mr Marcos, while remaining the only person with the power and standing to impose the necessary measures, is under siege politically and disinclined to introduce much-needed reforms.

Ailing and isolated, the 67-year-old leader looks increasingly helpless as his party starts slowly to splinter. Legal opposition groups have also moved to patch up their differences and an underground communist guerrilla insurgency has begun to stretch the military.

Mr Marcos's recent 25-day seclusion, when he was ill and believed to have undergone surgery, brought the Government to a halt. Not only do the 53m Filipinos not know what is wrong with their president of 19 years; neither do his senior Cabinet Ministers, including Mr Cesar Virata, the Prime Minister, and Mr Juan Ponce Enrile, the Defence Minister.

Politicians in the ruling party, including Mr Enrile and Mr Blas Ople, the Labour Minister, have been galvanised into manoeuvring for position. Should Mr Marcos die, become incapacitated or?least likely—retire rather than contest the Presidency in 1987, the competition to stand for election could be intense.

The Opposition leaders are being forced to see sense by a backroom ginger group wronted by Mrs Cory Aquino, the slain Opposition leader's widow, Mr Lorenzo Tanada, a respected Left-leaning 86-year-old former senator, and Mr Jaime Ongpin, the successful head of the large Benguet mining corporation.

With ministers confessing that they double check Presidential orders because of rumours that people in the palace can forge Mr Marcos's signature and mimic his voice, the biggest fear being voiced in Manila is of an "invisible" government which might run the country under Mr Marcos's powerful wife, Imelda, with the support of such influential military figures as General Fabian Ver, the armed forces chief now on temporary leave

This is the so-called "Jiang Qing scenario," named after Chairman Mao's last days in CVhina, when his wife was in control, and illustrates how the atmosphere of uncertainty which has engulfed the Philippines over the past 18 months is turning to nervousness and stark fear. Indeed, the rampant speculation, lack of hard information and moves by both Government and Opposition figures offer the most potent signs yet that the post-Marcos era has in effect arrived.

This not only adds to the concerns of the IMF about its programme and of creditors about retrieving their money, it also worries the Philippines' allies in South East Asia and spells problems for the U.S., which has strategic air and naval bases in the country.

Yet while the Left may see fresh opportunities in this malaise, especially if the legal Opposition's frustrations build much further, the material outlook for the Filipino people is bleak. Growing bands of urchins and stree beggars in Manila, the capital's closed shops and factories, and its crumbling buildings and potholed streets all illustrate the relentless economic deterioration which is now spreading across the country.

By most judgments, the economy has contracted by more than the official 5-6 per cent in 1984, and will contract again in 1985. Unlike their counterparts in the fast-growing South East Asian regions, Filipinos will not see a resumption of 1980 living standards at any time before the 1990s. Such is the loneliness of the long-dinstance runner.

WORLD TRADE NEWS

Brazilian financing deal reduces ECGD overdraft by £100m

BY CHRISTIAN TYLER, TRADE EDITOR

By next month more than £100m will have been knocked off the nearly £400m overdraft of the Export Credits Guarantee Department as a result of an unusual refinancing of Brazilian trade debt announced last week.

Now the Department is waiting to see whether other countries that owe money to the British export credit agency will seek to use the same, inexpensive method of rescheduling their government-to-government payments. Among those expected to be coming forward shortly are Poland, the Philippines, Argentina — and perhaps Brazil again.

Brazil is said to have refused to have its refinancing done through the banks because of the cost. Instead, with the help of London merchant bankers Morgan Grenfell, it saved itself several percentage points on the interest rate by borrowing money raised for the purpose in the Eurobond market.

A company called Credit for Exports (CFX), jointly owned by Morgan Grenfell and the Law Debenture Trust Corporation is issuing $155m of floating rate notes carrying a rate of ¼ per cent above the London Inter-bank Offered Rate (Libor) for six-month dollar deposits.

CFX's loan is covered by an ECGD guarantee, as a normal bank loan would be, making the issue virtually gilt-edged. The issue will allow CFX to lend matching funds to Brazil, which in turn will repay the ECGD.

The Brazil refinancing is the first time th ecapital markets have been used in export finance. According to some bankers this or similar techniques could be used not only for refinancing, but also for new export loans.

There are, however, a number of technical problems, according to one banker yesterday, which mean a flood of such deals is unlikely in the short run. The principal difficulty is that funds raised via bond issues cannot readily be drawn down by the borrower in stages

The other significant point about the Morgan Grenfell scheme is that CFX could be the model for the kind of private sector export bank Mr Paul Channon, the Trade Minister, recently suggested could be created to provide medium- and long-term fixed-rate export finance for British industry

The ECGD and the Bank of England have been asked to study the feasibility of setting up such an institution.

Trade credit insurance scheme established

THE U.S. Export-Import Bank and the Agency for International Development (AID) are jointly setting up a $300m (£250m) trade credit insurance programme for Central American countries, AP-DJ reports from Washington.

An Eximbank official said Central American countries, except Nicaragua, will be eligible for Eximbank guarantees covering short- and medium-term private financing for the purchase of goods and services from U.S. suppliers.

In some instances, the U.S. aid agency will participate with the Eximbank in providing the guarantees of private credits and export insurance contracts covering shipments of U.S. goods to the Central American countries.

Meanwhile, Eximbank officials said they are not planning to set up special loan guarantees for Argentina, which is expected to receive approval of about $1.6bn in International Monetary Fund (IMF) loans late this month to support that country's economic adjustment efforts.

● Five debt-ridden Latin American nations this week launched a currency, the Andean peso, with the aim of boosting regional trade, Reuter reports from Lima. Bank officials said the peso would be a financial draft between the countries and no notes or coins would be issued.

Bank officials from Andean pact members, Venezuela, Colombia, Peru, Bolivia and Ecuador, signed an accord in Lima backing the currency with $80m.

China to make parts for York Trailer

By John Griffiths

YORK TRAILER of the UK has signed a deal under which the major components of commercial vehicle trailers will be manufactured by the Chinese under licence.

Axles, suspensions and fifth wheels are to be manufactured at a truck plant at Siping, near the Soviet border, under York's agreement with the Chinese National Automobile and Industrial Corporation.

Although several UK motor industry concerns have spent some years seeking ways of doing business with China, the York deal is understood to be the first concluded by the British commercial vehicles sector.

Mr James Davies, joint managing director of York Trailer Holdings, said yesterday that the company is supplying the knowhow for the plant "basically free and for gratis."

In exchange, the Chinese company will supply York with its components for re-export to other Far East and Australian markets.

Mr Davies said York expected to take £½m worth of components a year initially, starting in 1986. "Thereafter, we hope there will be a rapid expansion."

York sells trailer components worth about £2m yearly in the Far East outside of China and in Australasia. All are sourced from the UK.

York's thinking is that the lower landed costs of units produced in China will allow it to take a larger share of trailer component sales in these markets.

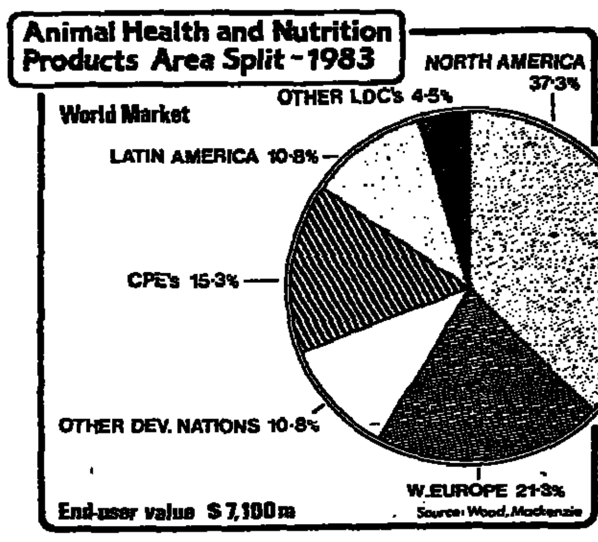
Mr Davies said there was no intention to substitute the Chinese components for those already being sourced in the UK.

He said York's manufacturing operations in the UK—where it has four plants—would be affected only in the sense that output would undergo a brief boost, as UK plants will supply components to Siping during the start-up process.

The agreement with the Chinese corporation provides for York to be the exclusive chanel for exports.

Tony Jackson reports on new opportunities for drug producers

Animal health market grows apace



THE MARKET for animal health and nutrition products shows a near-term potential for big chemical and pharmaceutical companies seeking to diversify out of their traditional spheres of business.

The market consists of feed additives and pharmaceuticals designed either to rid farm animals of diseases or to regulate their growth, points out a report by UK stockbrokers Wood Mackenzie*.

By 1990, this market is forecast to reach $10.7bn worldwide (at 1983 prices) compared with 1983 levels of $7.1bn, said the report.

The market has received little systematic attention in the past, if only because of its fragmented nature. The world leader, Wood Mackenzie estimate, is U.S. pharmaceuticals giant Pfizer, with animal health sales in 1983 of $142m, 11 per cent of the group's turnover.

However, Pfizer's world market share is under 7 per cent, and the combined share of the world's top ten producers is only just over 40 per cent.

Again, the market seems hi Again the market seems highly fragmented by product. Only nine products are estimated to reach annual sales of $100m or more. And of those nine, it appears that not one is protected by patent, though Wood Mackenzie points out that sophisticated standards of manufacture have limited the inroads by generic competitors.

Of the top ten manufacturers, six are based in the U.S., and the rest in Western Europe. Geographically, though, the market is concentrated, with North America occounting for 37 per cent of end use by value, and Western Europe a further 21 per cent.

Half the leading companies have as their main activity the making of pharmaceuticals for human use. There is a revealing discrepancy in the level of spending on research and development—over 10 per cent of sales for the human drugs industry, but for animal drugs only 7 per cent.

This, says the study, is partly because companies tend to rely on their human drug research to produce spin-offs in the veterinary area. Beyond that there are two drawbackc to high R & D spending on animal drugs.

First, the process is harder, in that a drug may have to be tested on a wide range of species—"from small birds to large game animals." The second drawback is crucial — animal drugs do not, presently at least, offer the same profit margins as do human pharmaceuticals.

This fact leads Wood Mackenzie to some positively doom-laden pronouncements.

"By 1990," it says, "the industry must have become more profitable for its continued survival." It seems that operating margins are typically around a third of what the same companies can get from their human drug activities—which, given the sums on R and D, plainly makes no sense.

One result has been a tendency—which Wood Mackenzie sees continuing—for companies to "retrench, quit or search for suitable merger opportunities."

Given the expectation of average real growth in the world market of 6 per cent per annum until 1990, this points to a rather healthy outlook for the winners and survivors.

Thetre may be other corrective measures, though. One suggested in the study is for companies to stop thinking of animal R and D as a by-product of human drugs research, and to devote more specific expenditure to formulating veterinary products which can in fact be pushed through at realistic prices.

And as a main priority, says the study the industry should come out of its defensive posture in the face of criticism from environmental and other lobbies. An internationally established industry organisation is required, to answer the critics and publicise the industry's achievements.

* **Animal Health and Nutrition, *Wood, Mackenzie and Co*, 62-63 Threadneedle Street, London EC2R 8HP, 172 pages**

Multifibre arrangement under new attack

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

THE Multifibre Arrangement (MFA), which regulates a large proportion of world trade in textiles, clothes and footwear, is a "monument to diplomatic compromise, political appeasement and bureaucratic obfuscation," according to the London-based Trade Policy Research Centre.

Textile protectionism, according to the centre in a report published today, cannot be justified on economic grounds. There are even fewer grounds for defending the "labyrinthine bureaucracy" of the MFA in which that protectionism is enshrined, it says.

"Trade restrictions under the MFA exist for reasons of political signficance alone, for they benefit virtually all producers of any significance while being sufficiently opaque for outsiders not to know what is going on."

The centre claims that consumers are unaware that they are paying over the odds for goods being produced in the name of job-saving at home.

Its report, Costs of Protecting Jobs in Textiles and Clothing, comes at a time when the future of the MFA is under intense scrutiny.

The General Agreement on Tariffs and Trade (Gatt), in Geneva, which has sanctioned the MFA, produced a report last year suggesting that there were no special grounds for protecting these industries.

Last week an independent report by Professor Aubrey Silberston, commissioned by the British Government, suggested the time had come for the MFA to be phased out.

This debate has arisen as part of the run-up to the renewal of the MFA, which expires in July 1986.

The Trade Policy Research Centre, a strongly free-trade oriented body, says it is "generally accepted" that the MFA is costly to developing countries. What is less well understood, the report argues, is that the costs to the protecting countries are also very high.

The centre argues that protection is not an effective instrument for reversing the decline in employment that has taken place in the textile and clothing industries of the West.

Nor is it an economically efficient instrument for reversing the decline.

Costs of Protecting Jobs in Textiles and Clothing. By Martin Wolf, Hans Hinrich Glismann, Joseph Pelzman and Dean Spinanger. From TPRC, 1, Gough Square, London EC4. £7.

Daf wins Fl 5.7m order from Zambia

By Laura Raun in Amsterdam

DAF TRUCKS, the Dutch truck and bus manufacturer, has received a Fl 5:7m (£1.4m) order for 50 bus chassis and components from the United Bus Company of Zambia.

The order is being handled by Automotive Vehicle Manufacturers, Daf's importer in Zimbabwe, and is expected to lead to further contracts from the Zambian bus company.

Daf said the state-owned bus company is engaged in a five-year investment programme that will replace old vehicles and add 280 buses to its fleet. Automotive Vehicle Manufacturers, which builds 90 per cent of all buses for Zimbabwe, also exports to other African countries, including Malawi, Kenya and Uganda.

The African order is the second contract announced in a week by Daf, which plunged into a Fl 27m loss last year as a result of vicious price-cutting in the industry and surplus production capacity.

Last week Daf capped a year-long effort to break into the Peruvian market with a $4.8m contract for 40 trucks to be supplied by the Development Aid Office of the Dutch Foreign Ministry.

Daf, which is based in Eindhoven, is engaged in a Fl 600m multi-year investment programme aimed at renewing the vehicle components division, widening the product range and applying new production techniques.

UK companies sign Egypt mine deals

THREE UK companies have signed agreements for the development of a phosphate mine near Luxor in Upper Egypt, Tony Walker writes in Cairo. GEC, Butterley Engineering will supply components for the mine whose product will be processed at a new fertiliser factory at Abu Zabul, north of Cairo.

The British contribution to development of the West Sebaya mine has been funded under a £7.5m grant and a £12.5m ECGD credit. GEC has contracted for a rock crushing plant, Butterley Engineering for large loading and storage facilities and Esmil for a drying plant.

AMERICAN NEWS

William Hall describes the crash of a U.S. bank empire that may be the worst since the 1930s

When bankruptcy hit the house that Jake built

ONE COLD November morning in 1982, 200 bank examiners arrived unexpectedly at the front doors of a dozen small banks in Tennessee and Kentucky, opening an investigation into what is beginning to look like the most costly series of U.S. bank failures since the 1930s.

Their target was the loosely-knit banking empire of Mr Jake Butcher and his younger brother, "C.H.," which at its height controlled close to 40 financial institutions with assets of around $3bn. The examiners found a string of unsound banks whose primary purpose seemed to be to lend money to the Butcher brothers and their friends, reminiscent of the worst banking scandals in the 1920s.

Early estimates suggested that the collapse of the Butcher banking empire would cost the U.S. banking authorities just under $400m but the figures are being steadily revised upwards. The local Knoxville Journal has said that the figure could top $1bn.

Bank regulators argue that this figure is too high, but admit that at the end of the day the demise of the chain of banks may turn out to be the most costly bank collapse in U.S. history — overshadowing last summer's dramatic bail-out of Continental Illinois and the earlier rescue of First National Bank of Midland, Texas.

The Butcher investigation first hit the headlines primarily because Jake, a boyishly handsome 48-year-old, silver-haired entrepreneur, had been the main promoter of the 1982 World's Fair in Knoxville, Tennessee, and had obvious political ambitions. He had twice run (unsuccessfully) for the governorship of Tennessee, had dined at the White House and entertained presidents.

An avowed Democrat, he counted former President Jimmy Carter and his protege Mr Bert Lance, a big borrower from the butcher banks, as his friends. When disaster struck, Jake was convinced that it was all part of a plot hatched by his political enemies — a story he still believes today.

"Do you believe they would have done this is there was a Democratic President and a Democratic governor of Tennessee?" he told a local journalist shortly after the first of his banks were closed.

Even for a banker, he entertained lavishly, commuting between his huge estate, "Whirlwind," and his various banking outposts by helicopter, Rolls Royce or private jet. Mr Butcher was by all accounts one of the highest flying figures in Tennessee and made no secret that his goal was "to make more money than Rockefeller." He bragged that "your insider loans normally are your best loans." Many people in rural Tennessee and Kentucky owed a lot to Jake and his brother.

> Even for a banker he entertained lavishly, and commuted by helicopter, Rolls Royce or private jet. His goal was to make more money than Rockefeller. Many people in rural Tennessee and Kentucky owe a lot to Jake Butcher and his brother.

Indeed, a federal judge in Jake's hometown of Knoxville had to disqualify himself last month from trying Jake Butcher after it was learned that he and his brother-in-law had borrowed a substantial sum from one of Jake's banks in order to buy another bank from Jake's younger brother. In his defence, the judge said he had been pressed into taking the case because one of his colleagues had broken a leg.

When bank regulators moved in three and a half months after their surprise visit, and closed the United American Bank in Knoxville, the pillar of the Butcher empire, few people in the financial community realised the scale of the scandal which was about to unfold.

Today, nearly two years later, the reverbations of the collapse are still being felt. A quarter of all U.S. bank failures occurred in Tennesse last year and most of them were associated with the downfall of the Butcher brothers. A dozen banks belonging to the brothers have been closed so far and there may be more to come. aLst month three small savings and loans associations linked to the Butcher empire closed their doors.

An estimated 50 to 60 local businesses have been forced into bankruptcy as a result of their association with the brothers and around 7,000 people who lodged over $50m of uninsured deposits with C H Butcher's Southern Industrial Banking Corporation are trying to salvage what they can of their savings.

The two Butcher brothers have both been declared bankrupt and have lost most of their trappings of power. "Whirlwind" has been put up for sale, Jake has lost his two afrms in Georgia and moved to Florida while he awaits next year's criminal trial whene he has been charged with fraud, conspiracy and falsifying bank records. His younger brother and friends were last reported running a high stakes bingo game on an Indian reservation in Arizona.

Some 400 federal banking officials, including close to a fifth of all U.S. bank liquidators, are working to unravel the mess. The Internal Revenue Service, the FBI, the U.S. Securities and Exchange Commission and the Justice Department are also investigating the bank collapse and trying to recover the millions of dollars which are said to have been salted away in bank accounts in the Cayman Islands and Switzerland.

The Federal Deposit Insurance Corporation (FDIC), which has to pay off the insured depositors in the various banks, expects that it will take several years before it has sorted out its end of the mess

According to the bank regulators, Jake Butcher's main bank, the United American Bank in Knoxville, "engaged in a virtually unbroken pattern of unsafe, unsound and conceivably unlawful banking practices over a six year period." They found that insider loans were of such magnitude that "borrowers called the shots."

The Butcher brothers and their associates set up numerous companies that borrowed from the banks in Tennessee and Kentucky without informing the local directors of those banks that many of the loans benefitted the samepeople.

About half of the United American Bank's problem loans were to family and friends of the Butcher brothers and the same pattern has emerged in many of the other banks which failed. "We hope to find out why so many friends, family and associates borrowed so much and why they have been so reticent about paying it back," says Mr William Isaac, the FDIC chairman, who is no stranger to the area, having served as a vice president of the First National Bank of Louisville, Kentucky, before joining the agency in 1978.

According to Mr Isaac, United American Bank "for years operated on the fringe of soundness . . . it was a bank bordering on being out of control." His agency has been severely reprimanded by a Congressional committee for "extreme regulatory neglect."

Whilst the FDIC admits that its performance was not up to scratch, it argues that it faced a very difficult task. The Butcher financial empire spanned three different Federal Reserve districts and seven different regulatory agencies were responsibl for supervising the various banks and savings and loan associations.

Much of the supervision was carried out by state bank examiners and it is clear that Mr Butcher and his associates ran rings round these local officials. Tennessee and Kentucky each have around 350 local banks, more than either New York or California, for example. The vast majority of these banks are state chartered and are under the charge of a combined total of around 70 examiners, which makes close supervision well nigh impossible. This, in turn, raises the question of whether it could happen again.

Trinidad will dance while the economy limps

BY CANUTE JAMES, RECENTLY IN PORT OF SPAIN

FEBRUARY IS the month when Trinidadians let themselves go in an orgy of music and dancing, a carnival that provides escape from the real world.

In the months running up to the 1985 event, all attention will be concentrated on trying to find crutches for an economy punch-drunk from a previous orgy – one of almost uncontrolled spending.

Buoyed by income from oil exports in the mid-1970s, Trinidad and Tobago lived high and fast. Now the day of reckoning is approaching.

Mr George Chambers, the Prime Minister, speaks of the "harsh realities of economic adjustment." He is presiding over an economy, the main financial pillar of which has weakened considerably in the past three years.

The wolves are not yet at the door. Nevertheless plans are already being made to keep them at bay.

With a population of 1.1m, the country boasts a healthy per capita income of $6,500, lower than that of the U.S. Virgin Islands, but higher than Puerto Rico.

All that was built on oil, with production reaching an average of 230,000 barrels a day in 1980. Foreign currency reserves mounted to $3.2bn.

In the first half of this year oil output has slumped to 162,000 b/d and foreign currency reserves to $1.6bn.

Mr Patrick Manning, the energy minister, says earnings from the petroleum sector this year should reach just $1bn. Exports of mineral fuels in 1980 earned the country $3.7bn.

"We have been able to halt the decline, and we are now seeing signs of a modest increase," said Mr Manning. "The energy sector is doing better than we expected this year."

Oil has traditionally accounted for 80 per cent of Trinidad's exports.

Such has been the lopsided nature of the economy that a trade deficit of $170m last year – and which may in normal circumstances be accepted as tolerable – was overshadowed by a $2.06bn deficit on non-oil trade.

"The news is not all pessimistic," Prime Minister Chambers said. He reported that there were positive results from the Government's economic policies.

The figures suggest a modest improvement. The non-oil trade deficit in the first five months of this year reached $583m and might by year end be half that of last year.

There was a $50m trade surplus between January and May, after last year's deficit. Mr Chambers has reported that the fall in foreign reserves between January and June was slower than in the first half of last year.

The price for that has been sustained anger from Trinidad's trading partners in the Caribbean Economic Community. A year ago Mr Chambers imposed several protectionist measures in an attempt to curb imports and stem the drain on reserves.

Other Caribbean countries that had found spendthrift Trinidad a good market cried foul.

The business community, however, is backing the Government in what it sees as a need to protect the economy.

"If other countries such as Jamaica are allowed to export freely to Trinidad, it will kill local business," claimed Mr Edward Hadeed, president of the Trinidad and Tobago Manufacturers Association.

Troubles in the country's economy affect not only the market it provides for its neighbours. Trinidad has used its oil largesse to assist its more troubled partners.

Honduras seeks more assistance from U.S.

By Our Foreign Staff

THE FIRST detailed discussions between Honduran and U.S. officials to provide a new framework for the important American military presence in Honduras were held yesterday in Tegucigalpa.

The talks have been prompted by Honduran demands for greater economic and military assistance to offset the increased strategic use of Honduras by the Reagan Administration in its Central American policy.

According to State Department officials yesterday, the Honduran Government has made no specifi demands but, as a result of this meeting, the U.S. is expected to obtain a clearer idea of what the Hondurans want.

The Reagan Administration is asking Congress for $201m (£168m) worth of military and economic assistance in the coming year

In the past six months senior Honduran officials have hinted that they would like not only a sharp increase in this sum but also longer term commitments.

Yesterday's talks were devoted exclusively to security matters which are being dealt with first. The presence of some 1,500 U.S. troops in Tonduras are governed by a treaty signed by the two governments in 1954. The U.S. would prefer to avoid formulating a new treaty

A new treaty could excite more local opposition, according to diplomats in Tegucigalpa. The move to wring more from the U.S. for its presence in Honduras has come largely as a result of opposition criticism.

Opposition politicians, trade unionists and students have become increasingly critical of the poor return given by the U.S. for Honduras permitting itself to be used as a regional "aircraft carrier."

The main opposition movements to the Sandinista Government in Nicaragua also operate from Honduran territory.

Pindling told to quit

Opposition leaders in the Bahamas, yesterday promised to "do anything within the law" to oust Prime Minister Lynden Pindling after a Royal Commission of Inquiry report described high-level government involvement with drug smugglers, AP reports.

Shultz 'to replace political appointees'

MR GEORGE SHULTZ, U.S. Secretary of State, plans to name foreign service officers to replace officials and diplomats who were political appointees, angering conservatives in the White House, according to a report published yesterday, AP reports.

State Department officials told the New York Times that Mr Shultz had already decided to replace three political appointees. They are:

● Mr Richard McCormack, Assistant Secretary for Economic and Business Affairs and a former aide to Mr Jesse Helms, a conservative Republican senator from North Carolina.

● Mr Gregory Newell, Assistant Secretary in the Bureau of International Organisation Affairs.

● Mr James Malone, Assistant Secretary for Oceans and International Environmental and Scientific Affairs.

Telephone access charges approved

By Paul Taylor in New York

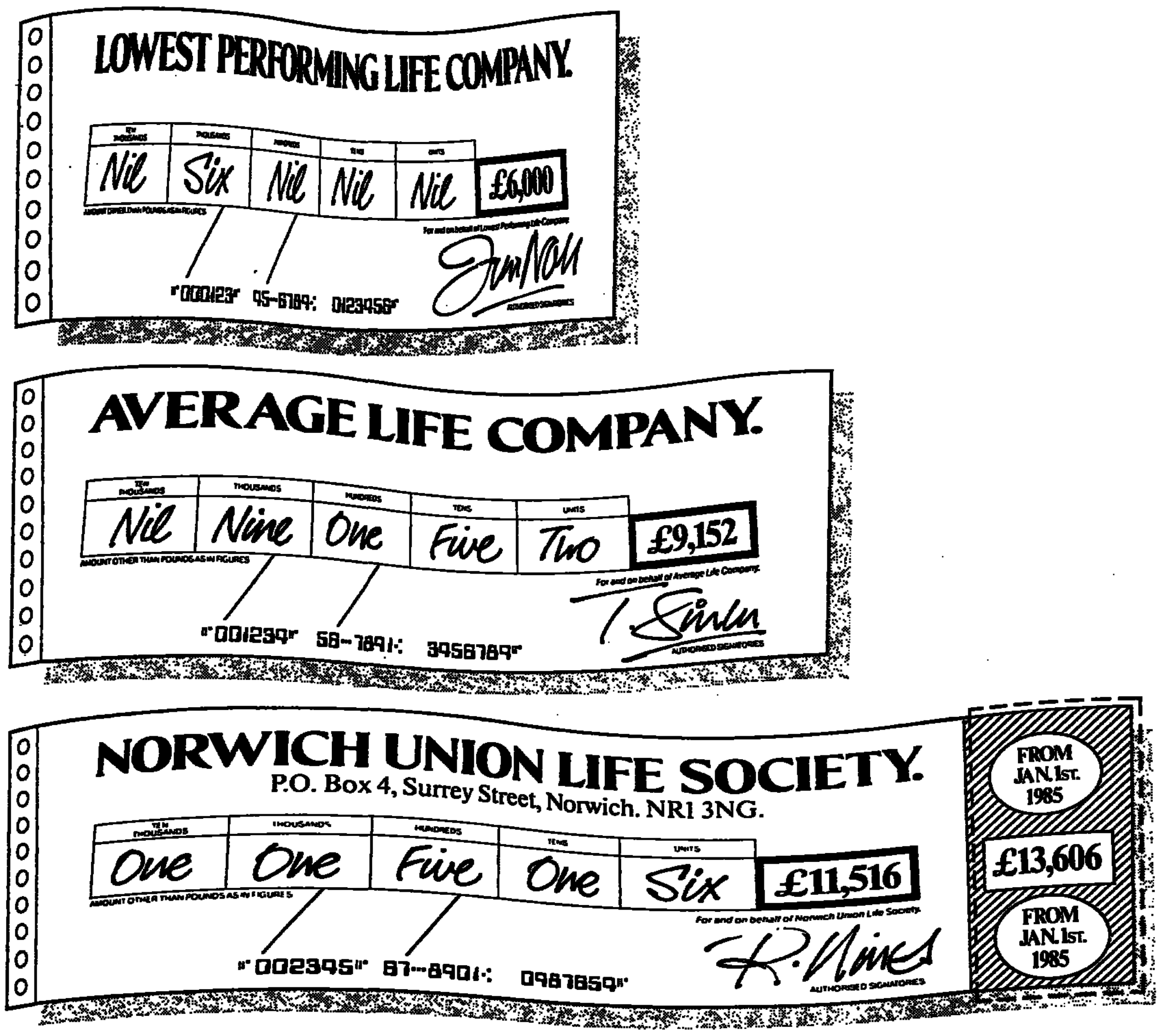
THE U.S. Federal Communications Commission (FCC) yesterday took a major step towards resolving the long-running controversy over access charges, the monthly payment individual residential telephone customers will pay to be connected to the public telephone system in the aftermath of the massive Bell system break-up.

The FCC unanimously approved a pla nsetting telephone access charges at $1 a month in mid-1985 rising to $2 a month a year later.

Access charges, which are designed to relate telephone charges to the cost of providing the service, have been to one of the most controversial aspects of the AT & T divestiture

Currently business users pay a disproportionately high amount towards the cost of local service. Business customers with more than one telephone line have been paying a $6 per-line charge since mid-year but the FCC, under pressure from consumer groups and Congress, has delayed until now, a decision on how much residential telephone subscribers should be charged.

Which Insurance Company should I choose?



Why choose the average, when Norwich Union pays out so much more?

The difference in payouts from various Insurance Companies is enormous. A survey in May* showed that a man of 29 who paid £10 per month to a with-profit endowment insurance for 25 years (£3,000) would have received from the lowest performing company a payout of £6,000; from an average company £9,152 and from Norwich Union £11,516. But on 1 January 1985 Norwich Union will pay out £13,606. A staggering difference from other companies.

For shorter terms, we are currently the market leader. Now payouts are being increased still further. By a huge 9%. If a man of 29 had been investing for 10 years, on 1 January 1985 his total premiums of £1,200 would yield £2,563.

FOR PENSIONS TOO

Similar differences apply to with-profit pension policies.* A self-employed man retiring at age 65 who has paid 16 premiums of £500 per annum (£8,000) would have available to buy a pension a payout of £13,815 from the lowest performing company, from an average company £21,055 but from Norwich Union £22,861. On 1 January 1985 Norwich Union's payout will be increased to £30,106. Another staggering difference from other companies.

Bigger payouts mean a bigger lump sum when the mortgage policy matures and pays off the mortgage. Or a bigger pension. Or even more money for that special dream you're saving for.

EXPERTS IN INVESTMENT

When you invest in a Norwich Union policy, you know that the rewards we offer are based on proven performance.

Norwich Union invests with flair and care in the most dynamic sectors of the economy. In property and ordinary shares including oil. Our successful investment strategies enable us to provide bigger payouts through bigger bonuses.

And as your financial adviser will tell you, Norwich Union have delivered what they've promised. Often more. Over and over again.

THE POLICYHOLDER COMES FIRST

Norwich Union is a mutual company. This means it has no shareholders to take a slice of the profits. All our profits belong to you – the with-profit policyholders. You invest in us, and we work to build up the substantial benefits you deserve.

We believe there's only one answer to the question: "Which Insurance Company should I choose?" Talk to your financial adviser. We're sure he'll agree you're better off the Norwich Way.

*Source/ Money Management Magazine May & September 1984

YOU'RE BETTER OFF THE NORWICH WAY.

NORWICH UNION INSURANCE

Norway gives ultimatum on $30bn Sleipner deal

BY DOMINIC LAWSON

AFTER 10 MONTHS of negotiations Norway has given the UK an ultimatum on the proposed purchase by the UK of gas worth $30bn from Norway's Sleipner gasfield.

Mr Kaare Kristiansen, the Norwegian Energy Minister, yesterday gave Mr Peter Walker, his UK counterpart, a document stating Norway's final demands.

Mr Walker agreed to give the British Government's decision next month on whether it wished to proceed with what would be the UK's largest single trade deal. That will be after discussions with members of the UK Government and Mrs Margaret Thatcher, the Prime Minister.

British Gas and Statoil, the Norwegian state oil company, agreed a commercial deal in February. British Gas believes that the adequate gas supples are essential if the UK is to meet domestic demand in the 1990s.

As a result, of certain objections from the UK Treasury and the Department of Energy, however, the two companies agreed an amended deal involving lower gas production rates. Meanwhile the two Governments have been unable to agree on a sovereign treaty.

The main differences are on the extent to which UK goods and services should be involved in the Sleipner development, and the compensation to be paid to the UK for having the gas liquids (condensates) associated with the field delivered by a Norwegian-owned pipeline.

The UK has asked that 60 per cent of the value of the Sleipner contracts be placed in Britain and that the Offshore Supplies Office of the Department of Energy be allowed to see all bid documents.

Mr Kristiansen's final document is thought to have made no such commitments, merely stating that the UK will be put on an equal footing with Norwegian contractors in bidding for the work. Hitherto, the UK has regarded that assurance as *insufficient.*

Stake for NCNB in London broker

By David Lascelles, Banking Correspondent

NORTH CAROLINA National Bank (NCNB) yesterday became the first U.S. regional bank to buy a stake in a London stockbroker.

Through its London merchant bank, Carolina Bank, NCNB is to buy a 29.9 per cent stake in Panmure Gordon, a medium-sized firm known for its corporate broking business. The cost of the transaction is not being disclosed, nor is there any provision for the size of this stake to be increased later.

Mr Peter James, managing director of Carolina Bank, said NCNB wanted to develop a strong capability in the international securities markets. Panmure Gordon's position in the corporate field would also enable Carolina Bank to expand its corporate finance activities.

NCNB has total assets of $14.5bn and is one of the largest banks in the South-eastern U.S. It has a reputation as one of the more progressive and profitable of the U.S. regional banks, and it has made full use of regional liberalisation of banking laws to expand into Florida.

Carolina Bank, which was established in 1979, was the first London merchant bank opened by a U.S. regional bank. It currently has capital of £10m and assets of £130m ($153m) and specialises in leasing, equipment and trade finance.

Panmure Gordon has 26 partners and ranks 24th in its share of total equities and gilts commissions on the London Stock Exchange.

Mr James said NCNB had decided not to raise its stake in the firm beyond 29.9 per cent in order to preserve a large degree of independence and leave the firm the greatest possible incentives.

Lynton McLain on hopes of finding clues to Earth's origin

Race to meet Halley's comet

THE RACE is on for a "cosmic wedding" of astronomical proportions as scientists and aerospace companies in Europe, the U.S., Japan and the Soviet Union bid to meet a once-in-76 years deadline with Halley's comet.

Space agencies aim to intercept the comet to throw light on the origin of the solar system – in other words where we all came from.

Rival but complementary spacecraft are involved with the Halley project, marking a return to the international astronomical collaboration of the 1950s. Results will be shared and discussed long after the comet has sunk back deep in the universe.

The spectacular interception, planned for March 1986, involves British Aerospace Dynamics as prime contractor to the European Space Agency with its sophisticated Giotto spacecraft.

Giotto promises to be the most successful and accurate of the six spacecraft soon to be hurtling to close encounters with the comet.

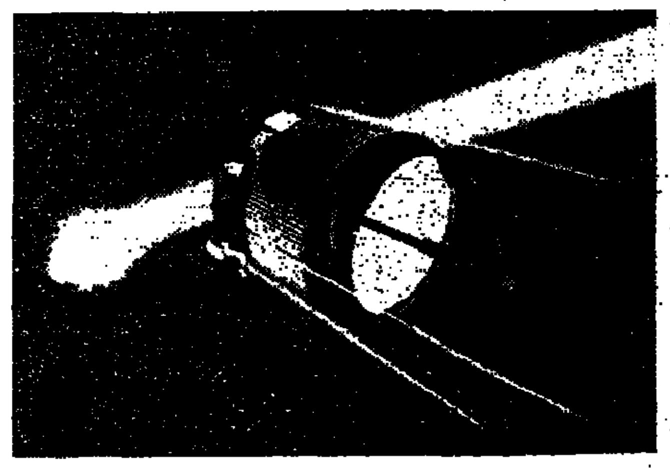
Ironically, such precision carries a catastrophic penalty. The most accurate craft will explode in a celestial fireball as it hits the wall of dust particles near the heart of the comet.

Giotto is named after the Florentine painter who saw the comet in 1301 and included it as the star of Bethlehem in his Adoration of the Magi painting, now in a chapel in Padua: Italy.

The Giotto spacecraft is in Toulouse after transport by road from British Aerospace Dynamics' factory in Bristol, where it was made under conditions of clinical cleanliness.

It is there for testing by BAe engineers before its one and only journey to the frozen heart of the comet.

Mr David Link, the Giotto project manager at BAe Dynamics, is calm about meeting one of the most unenviable deadlines ever set for aerospace engineers. Failure to have the spacecraft ready on top of the Ariane rocket in French Guiana on the first day of a four-week launch window in July next year will result in a 76-year wait to try again.



Artist's impression of Giotto approaching Halley's comet

BAe is responsible for the £35m Giotto until it is handed over to ESA.

The finality of the deadline is partly because Giotto is to be one of the last of the international craft to be launched. It is also because Europe has built no back-up if the Giotto launch fails.

Nobody knows for sure what is at the heart of a comet. The current favourites are ice and dust, according to Professor Roger Bonnett, the director of scientific programmes at the European Space Agency.

"This is a cosmic wedding, unique in the history of space research," he said in Toulouse recently. He is not romantic about the stuff of comets, though. "Dirty snowballs, that is what they are."

Professor Bonnett is, nevertheless, under no illusions about the importance of Giotto for Europe. "Giotto is characteristic of a new era of the scientific European space programme. It will help Europe to find its cultural identity in space."

The $130m total cost of the Giotto project, including the launch, was "indispensable and mandatory to keep European independence in space."

There is so little gravity on the comet that "if you went for a run on the surface, you would take off," Dr Rudegar Reinhard, the ESA project scientist, said.

He believes comets may have been formed at the same time as the solar system and that Giotto and other international spacecraft may produce data to help to establish that. Giotto will be in touch, literally, with material from the beginning of time, as far as earth is concerned.

The first of Giotto's five rivals to go into space is the Vega 1 craft of the Soviet Union's Intercosmos space agency, to be launched this weekend. The Soviet Union may be first, but its craft is designed to go only within 10,000 km of the nucleus at the comet's core.

The target arrival date is March 6 1986. Vega 2 will follow with a launch on December 22, to arrive on March 9 1986.

The U.S. National Aeronautics and Space Administration has its International Cometary Explorer (ICE). That is going close to another little-known comet first. Nasa's embarrassment that it did not have a purpose-built Halley interceptor made the agency do some clever course changes with ICE. They included looping it in orbit around the moon, to within 60 miles of the surface, en route to Halley's comet.

The growing Japanese space industry is planning two interceptors, the MS-T5 to be launched on January 4 1985 and its Planet-A craft to be launched on August 14 1985. Those craft only approach to within 100,000 km of the comet.

In contrast, Giotto is aiming almost for a bull's-eye. The British Aerospace-built craft is designed to get within 500 km of the comet's nucleus. With help from the less accurate craft of the Soviet Union and the U.S., Giotto is likely to better that and get to within 100 km of the nucleus.

They should produce spectacular live television pictures. The tail of Halley's comet is 10 km long and may appear an easy target, but the ball-like nucleus is only about 6 km across. At 100 km, from Giotto, the nucleus will be seen by the camera just as a 30 cms diameter ball appears seen from 6 metres.

Giotto will get so close because the Soviet Union's Vega craft will act as pathfinders, relaying data back to later missions by other countries to give an accurate idea of where the nucleus is in the dust cloud at the head of the comet.

The U.S. will also help Europe's Giotto with its deep space communications network, so that the Giotto's course can be changed throughout its voyage to meet Halley's comet at exactly midnight on March 13 1986. Four hours later, after a burst of signals to earth, Giotto will be destroyed.

Giotto is the most prestigious project of the European Space Agency. Dozens of companies in Europe as well as universities and research institutes have contributed to the spacecraft, including AEG-Telefunken and Dornier of West Germany; L. M. Ericsson of Sweden; Fokker of the Netherlands and Thomson CSF of France.

The probe is Europe's first space mission outside the earth's gravity.

Gas prices to rise 4.5% but large users offered contracts

BY IAN HARGREAVES

INDUSTRIAL gas users are to be offered individually negotiated contract prices rather than across-the-board increases in the new tariff system announced yesterday by British Gas.

British Gas said that on average gas prices would be rise by 4.5 per cent from customers' first meter readings after February 1. Standing charges would frozen, but the price per therm was to rise from 35.2p per therm to 37p a therm – an increase of 5.1 per cent.

The most striking aspect of the new tariffs is the increased flexibility offered to customers who buy *more than 25,000 therms of gas a* year.

Those customers, according to the terms of their contracts, were expecting prices to rise by 0.6p a therm each quarter, as they have done in the last year. Those rises followed a two-year freeze from April 1982.

"For most contract customers, increases will be lower than those already notified," British Gas said. The corporation would not be drawn on the scale of concessions available, but said that the move was designed to bolster its push for a bigger share of the industrial boiler conversion market.

British Gas said its higher tariffs were needed to cover rising gas supply costs. The last increase in *basic gas tariffs was in January.*

A cut in the standing charge rebate for small consumers should save British Gas around £20m a year, although the corporation said it was difficult to make accurate estimates. The existing scheme, which benefited about 3m customers, cost British Gas £42m in 1983-84. The corporation argues that the rebate is not sensible on social grounds, since many claimants are people with second homes or small commercial customers.

● The electricity supply industry has been told to reduce its controllable costs by 6.1 per cent in the next three years. Mr Peter Walker, the Energy Secretary, made the announcement at the same time as confirming the industry's profits target of an average return on net assets of 2.75 per cent in the three years from next April.

New head for key defence job

By Bridget Bloom

MR PETER LEVENE, the chairman and chief executive of one of Britain's fastest-growing defence companies, will take charge of the Government's procurement of defence equipment, now worth £8bn a year, from March.

The appointment of Mr Levene, who heads United Scientific Holdings (USH) was announced yesterday by Mr Michael Heseltine, the Defence Secretary. Mr Levene will relinquish all connection with USH when he joins the Ministry of Defence (MoD) for five years at a salary of £95,000 a year.

The appointment of a senior industrialist as Chief of Defence Procurement breaks with precedent – a senior civil servant has always previously held the post.

Mr Heseltine clearly sees the appointment as a means of invigorating his attempt to get better value for money from the £8bn that the MoD spends annually on weapons systems.

Nearly 95 per cent of these systems come from British industry, but despite the introduction of measures designed to increase competition in defence contracts, nearly 80 per cent are still being let on a non-competitive basis.

Mr Levene's appointment could prove controversial within the Civil Service – where the highest salary is £51,250 a year – and in industry, where the former USH chairman might be thought to have a special advantage.

Yesterday the Defence Secretary also announced that Mr David Perry, the present chief of Defence Procurement, would henceforth "devote himself full-time to the pursuit of collaboration" in a new post as Chief of Defence Equipment Collaboration.

Mr Heseltine's move brings Britain closer into line with its principal European allies, where the chief of defence procurement is usually a powerful political appointee.

What was not clear yesterday was how far Mr Levene will want (or how far Mr Heseltine will allow him) to reorganise the Procurement Executive.

UK and France near to DBS standard

BY RAYMOND SNODDY

BRITAIN is set to agree a compromise technical standard for satellite broadcasting which will create a European market for the consumer electronics industry.

A meeting at the Department of Trade and Industry today is expected to endorse a standard that will combine the best features of the British and French systems.

Britain has been trying to get its C-MAC system accepted as the European standard for the future of broadcasting for nearly two years. Despite heavy diplomatic lobbying and unanimous endorsement by the European Broadcasting Union, the French were against it and the West Germans doubtful.

The French proposed the D2-MAC system, which was more suitable for reception on existing cable television systems. It seemed that Europe would be as divided as it is already over terrestrial television standards.

Modifications now being proposed would mean that the two standards would be compatible and a single set of decoder chips could be used in television sets receiving DBS (direct broadcasting by satellite) signals from British and French satellites.

Efforts are continuing to persuade West Germany to join the compromise. A meeting was held earlier this week in Bonn between government officials from Britain, France and Germany.

The new compromise would not, however, mean that the same television sets can receive the same signals. Manufacturers suggest that dual standard receivers could be produced at reasonable costs.

In Britain the compromise standard was recommended in the business plan produced by Mr Andrew Quinn of the commercial Granada Television for the potential participants in Britain's DBS consortium.

Cable TV company puts off £35m in investment

WINDSOR TELEVISION, one of the high-technology showpieces of the cable revolution in Britain, has decided to postpone any decision on investment for six months.

The shareholders will make enough funds available to keep the company ticking over to see whether an investment of about £35m is justified in the middle of next year.

Mr Michael Davis, chairman, said yesterday: "We think the climate is not right at the moment. We will review the situation in six months, and we believe things are going to get better."

Windsor is the first of the 11 franchises chosen by the Government last November that has formally declared a postponement, but many of the others are proceeding with the *utmost caution.*

The postponement will come as a disappointment to the Government and the Cable Authority. Windsor is one of the best examples of the Government's high hopes for cable as a provider of electronic communication networks of the future in addition to entertainment.

The company has always pinned much of its hopes on providing specialised communication services for business and industry. It has also signed an agreement with Mercury Communications to provide local telephone services in competition with British Telecom.

The Government will be relieved, however, that Windsor shareholders – including GEC, the Hawley Group and Currys – have decided not to pull out at this stage, as was widely rumoured.

Mr Davis said he was optimistic that in the end Windsor would go ahead.

● BET expects to have a legally binding contract with Mr Robert Maxwell for the sale of its Rediffusion cable television interests by the end of this week. Mr Maxwell is buying the business for £11m.

Decline in industrial jobs halted

By Philip Stephens

EMPLOYMENT in Britain's manufacturing industry appears to have levelled out in recent months after several years of decline.

Statistics released yesterday by the Department of Employment show that the number of jobs in manufacturing rose by an average 3,000 a month between August and October, the biggest three-monthly increase since 1977.

Separate figures indicated that the number of overtime hours worked in manufacturing rose sharply to 12m a week in October, the highest level since 1980.

Mr Tom King, the Employment Secretary, said that the trend pointed to "a brighter picture on the jobs front," and that it confirmed the signs of rising output provided by recent data for industrial production.

In what has become an almost ritual warning on the dangers of *high pay increases, however,* Mr King said that the improvement would cease if wage costs rose excessively.

The Employment Department said that the underlying level of average earnings in the whole economy rose by 7½ per cent in the year to October, while for manufacturing the increase was 8½ per cent.

The Confederation of British Industry, the employers' organisation, said yesterday that wage settlements in manufacturing – lower than earnings because of bonuses and other payments – averaged 6.1 per cent in the third quarter

The figures compare with an inflation rate that has been stable at about 5 per cent since the beginning of 1983.

More worrying for the Government, however, is the recent slowdown in productivity growth, which means that higher wage bills are now reducing Britain's competitiveness.

Unit *wage costs in manufacturing* rose by just over 5 per cent on an annual basis in the three months to October, while in the U.S. and Japan they were falling.

Hunting Firecracker challenges RAF trainer aircraft decision

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

HUNTING Firecracker Aircraft, the joint company set up to promote the Firecracker as the next basic trainer for the RAF, is to fight the Ministry of Defence decision to eliminate its aircraft from the competition.

The Defence Ministry's decision was announced late on Tuesday in a written parliamentary answer, stating that the Australian A-20 had also been eliminated.

That leaves the Short/Embraer Tucano and the British Aerospace/Swiss Pilatus PC-9 as the final contestants. Shorts and British Aerospace (BAe) have been asked to submit their "best and final offers," with a decision due some time in the new year.

Both companies are expected to respond quickly. They are almost certain to offer improvements in both cost and performance (such as increased speed) in a final attempt to win the £200m deal for upwards of 130 aircraft. Those will replace the ageing Jet Provost basic trainer.

The Ministry of Defence made clear in its answer that refurbishing the Jet Provost, built by British Aerospace remained another option open to the RAF.

Aerospace industry opinion is that that option is likely to be exercised only if parliamentary opposition to the procurement of either of the two foreign-designed aircraft is overwhelming.

The decision by Hunting Firecracker to fight the Government's decision was made known yesterday. It intends to bring pressure on the Government, through parliament and the press, to try to get its aircraft reinstated on the shortlist.

The disappointment at the decision to eliminate the aircraft was tinged with anger at the way in which the announcement was made.

The company said it still believed strongly that its aircraft matched the other contestants in performance and cost, and was seeking further clarification of the Government's statement. "We feel our aircraft is every bit as good as the others, and is capable fully of meeting the RAF specification," the company said.

"We want to know precisely what additional performance and cost requirements are being specified, so that we too, can be given a chance to meet them, along with the other contestants."

Hunting Firecracker Aircraft was set up this year by Hunting Associated Industries (a member of the Hunting shipping, oil and industrial group), Specialist Flying Training (which had already bought the Firecracker) and Guinness Mahon and Company, merchant bankers.

Its aim was to promote the Firecracker in the RAF competition and, if successful, to manufacture it at the Ampthill, Bedfordshire, plant of Hunting Engineering, another Hunting Group company.

What has still to be decided is whether the Firecracker, which is flying already, will continue to be built and offered for sale as a specialist training aircraft, especially overseas.

Specialist Flying Training, which itself has ordered a few for its own training of foreign military pilots at its Carlisle base, owns the design and UK manufacturing rights of the Firecracker.

The elimination of the Australian A-20, which had been strongly supported by Westland Aircraft, the helicopter and engineering group at Yeovil, Somerset, caused less surprise. The A-20 had been regarded as least likely to succeed.

● Westland Aircraft is close to completing a contract with the Oil and Natural Gas Commission of India for 21 Westland 30 helicopters, worth over £60m.

The company's preliminary statement accompanying the accounts for the year to September 30 says it "confidently expects the contract to be effective in the new year," after trials in India.

The company says there is interest in, and inquiries for, the Westland 30. "But we need to have a high level of inventory of Westland 30 components to enable us to match the market's requirements for short delivery times."

The accounts show that at September 30, the total order book of the Westland group amounted to £765.5m.

NUM fails to win injunction

THE HIGH COURT yesterday rejected an attempt by the National Union of Mineworkers to prevent Nottinghamshire miners from approving rule changes aimed at making the area union largely independent of the national NUM.

Notts NUM leaders are to consider today rule changes that might challenge the future right of the national NUM union to lead an industrial dispute.

Miners in the Notts area recently voted overwhelmingly to make the rule changes and to reconsider the NUM's 13-month-old overtime ban.

Striking miners fear that the move might split the Notts NUM or at least result in an anti-left bloc opposed to the policies of mineworkers' leader Mr Arthur Scargill.

□ **POST OFFICE** senior management is threatening to introduce unilaterally a wide range of new working practices after the breakdown of three months of negotiations with the Union of Communication Workers.

□ **RETAIL OUTLETS** – more than 300 – of Motorist Discount Centres (MDC) opened for business as usual yesterday, as receivers sent in by National Westminster Bank began to seek a buyer for MDC as a going concern.

The Nottingham-based chain, which sells car replacement parts and accessories, is understood to have received approaches from at least two other large operators in the automotive aftermarket.

□ **GENERAL ELECTRIC**, of the UK, and British Aerospace have signed a joint-venture agreement to develop and market advanced manufacturing technology systems. The first systems are already being developed and are expected to be delivered in April.

The agreement involves BAe's military aircraft division and the factory automation systems technology division of GEC Electrical Projects.

□ **BMW CAR** prices in Britain will go up by an average of nearly 2 per cent from January 2. The range will then start with the 316 at £7,495. The newly introduced M635CSi will cost £32,195.

□ **THE PORT** of London Authority's new chairman is to be Sir Brian Kellett, former chairman of TI Group. He will take over on January 7 from Mr Victor Paige, who has been appointed chairman of the management board of the National Health Service.

□ **NISSAN UK** has decided to stop imports of Nissan Cherry Europes, the small hatchback car built in Italy as a joint venture between Nissan and Alfa Romeo.

The decision has been taken because of a deeply disappointing sales performance – only 5,000 have been sold since imports began last year – and the arrival of the Alfa Romeo version in the Italian company's UK network, at prices considerably lower than the Nissan model.

Lear Fan consortium agrees funding rise

BY OUR BELFAST CORRESPONDENT

THE PRIVATE backers of the troubled Lear Fan carbon-fibre aircraft venture in Northern Ireland are to provide substantial further funding.

The Government announced yesterday that after months of negotiation, it had reached agreement with the private consortium led by members of the Saudi Arabian royal family, which should see the aircraft into production.

The size of the manufacturing operation near Belfast has been scaled down, however. Instead of employing 2,800 people as was forecast in 1982, the company will need only 1,100.

Plans to make the eight-to-ten seater executive turboprop have been seriously delayed by technical and financial difficulties.

This summer the company paid off 320 workers in Northern Ireland, mothballed its two factories and concentrated scarce resources on winning a vital airworthiness certificate from the U.S. Federal Aviation Administration (FAA).

Dr Rhodes Boyson, the Northern Ireland Minister of State for Industry, told the House of Commons that agreement in principle had been reached with the consortium but he did not disclose the amount of new funding.

In 1982 the Saudi investors helped to rescue Lear Fan by adding $60m to the British Government's $30m. The Government took a 5 per cent equity stake in the U.S. holding company.

Dr Boyson said $9.1m which remained to be paid to the company under that agreement would now be handed over. It had been withheld during the negotiations.

The Government would also continue to guarantee a $15m bank loan. Lear Fan would undergo financial restructuring to reflect the scaling down of the project.

He said the effect of the new agreement was to reduce the Government's financial exposure and confirm that Northern Ireland would be the base for the main manufacturing operation.

Lear Fan's revolutionary aircraft has taken the first crucial step towards winning FAA certification and is undergoing flight tests. A full certificate should be secured by January 1986, when deliveries will begin.

The company has yet to say when it will start rebuilding its Northern Ireland labour force and whether it will still need the second factory which it acquired near Antrim this year.

Soviet Union 'closing' air technology gap

By Our Aerospace Correspondent

THE SOVIET Union is rapidly closing the "technology gap" with the West, while maintaining its numerical superiority of 2.5 to 1 in terms of front-line combat aircraft.

The latest edition of Jane's All The World's Aircraft, the premier aerospace reference work, says the Soviet and Warsaw Pact's numerical advantage did not matter while Nato had a clear technological leadership.

"That lead still exists in some areas, such as avionics and aircraft power plants; but the gap is narrowing. As it does so, the Soviet 2.5 to 1 numerical advantage becomes increasingly critical."

"Anyone studying the size and composition of the Warsaw Pact air forces could be forgiven for feeling that Soviet designers suffer none of the frustrations of their Western counterparts.

"The Soviet Union seems, always, to build the best that its designers and engineers are capable of producing; the West builds only what its government economists say it can afford."

Jane's All The World's Aircraft, 1984–85; Jane's Publishing Company; £60.

Chemical plants face tighter safety standards

BY TONY JACKSON

NEW REGULATIONS covering safety in dangerous chemical plants in the UK have been laid before parliament. The Control of Industrial Major Accident Hazards (Cimah) Regulations will put into force an EEC directive – the so-called "Seveso directive."

That was drawn up after the chemical accidents at Flixborough, Humberside, in 1974 and Seveso in North Italy in 1976.

The regulations, which will be phased in between next April and July 1989, cover the 250 chemical plants in the UK that store dangerous chemicals in large enough quantities to cause serious damage to the local population.

There are four main requirements:

● Manufacturers must submit to the UK Health and Safety Executive a written report or "safety case" on the plant;

● Manufacturers must prepare on-site emergency plans;

● Local authorities must prepare off-site emergency plans;

● Manufacturers must provide information to the local population – preferably via the local authority – on the nature of the risks.

The regulations also require manufacturers to provide evidence to the Health and Safety Executive at any time that hazards have been identified, and that steps have been taken to minimise the risk of accidents and to cope with them should they occur.

A survey by the executive shows that three quarters of manufacturers concerned already have offsite plans broadly adequate to satisfy the Cimah regulations. Of the remaining 60 or so manufacturers, some have inadequate plans and some none at all.

The regulations cover 178 named substances and some unnamed, and specify the quantities that will qualify a plant as a serious hazard. For phosgene, the First World War gas, the qualifying amount is 20 tonnes. For methyl isocyanate, which caused the Bhopal disaster, the amount is 1 tonne. Over 90 of the named chemicals have specified quantities of under 1 tonne. For over 30, the quantity is 1 kg – one thousandth of the level applying to methyl isocyanate.

The Confederation of British Industry said it had given its full support within the executive in recommending the adoption of the Cimah regulations. "It is vitally important to maintain the highest possible safety standards in chemical plants," it said.

The Chemical Industries Association welcomed the regulations, claiming that they "affirmed established practices." The regulations would, however, impose "not insignificant" extra costs on the industry, mainly through the requirement to document the proof that operations were being managed safely.

TECHNOLOGY

EDITED BY ALAN CANE

ITT'S APPROACH TO CO-ORDINATING DESIGN WORLDWIDE

Unity in an engineering world

BY GEOFFREY CHARLISH

HOW DOES a multinational with subsidiaries in most European countries create a unified approach to engineering design, product appearance and technical literature?

International Telephone and Telegraph (ITT) will spend £13m this year (£17m in 1987) developing a solution at its Engineering Support Centre in Harlow. There, a staff of 220 professionals is armed with three mainframe computers, 200 terminals and data links to several of the European ITT companies.

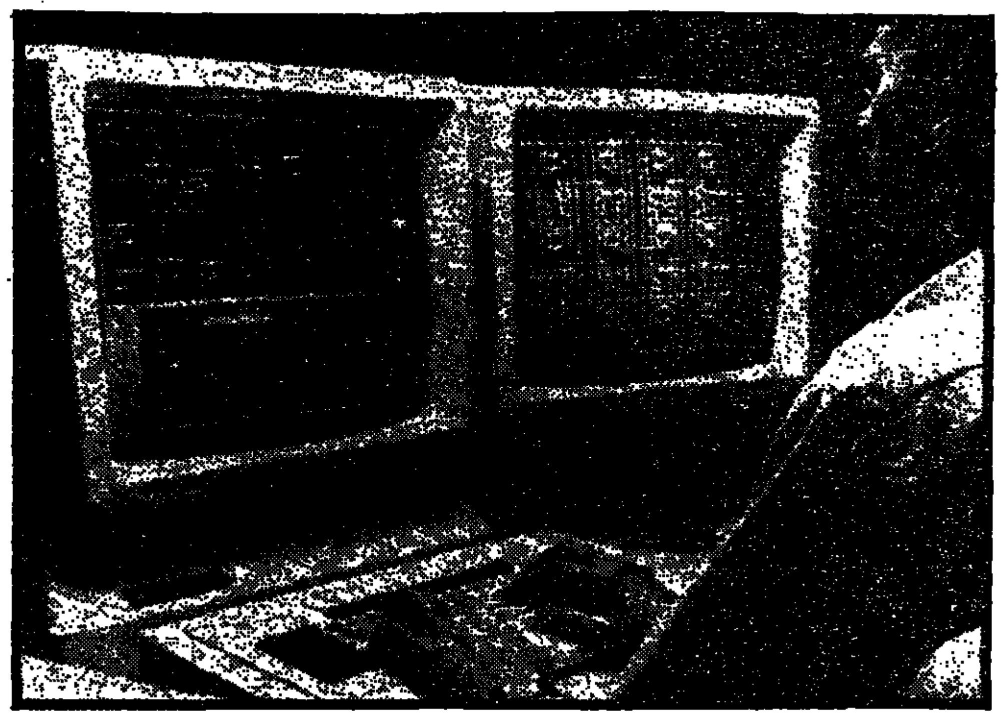
The main thrust is in computer-aided design of the corporation's telecommunications products, but there is also research into artificial intelligence, machine language translation, industrial design and the human factors involved in product design.

Technical manuals, for example, have always posed an important question for multinationals: does the version in say, German, really mean the same to a German as the English version does to an Englishman? In ITT, they have to cope with a dozen European tongues—and the language is technical as well.

A combination of machine translation (Weidner Communications Inc, Utah) and professional human translators is proving highly successful. Text arrives at Harlow on floppy disks or over data communications lines, is stored and electronically inspected. The machine displays any words not in its dictionary and the human translator supplies them via the keyboard.

The computer is left to do the raw translation overnight and the next day it is polished up (by a professional whose native tongue is that of the translation), put back on a disk and returned to the originator.

In artificial intelligence (AI) research, the Harlow unit has been working with Professor Michie at Edinburgh University. Basically, AI is concerned with giving computers some of the intelligence of humans—reasoning for example. One outcome of the ITT/Edinburgh work has been a system for the fault diagnosis of manufactured circuit boards at Standard Elektrik Lorenz in Germany. Improved quality and reliability has resulted and the system is being applied to System 12 digital telephone exchange boards, where the diagnosis time has been cut by 80 per cent.



ITT hopes to have full custom design within the company using equipment illustrated above

A human factors technology unit at the ITT centre has contributed to the Esprit and Alvey projects. It has also advised the London Ambulance Service on the man/machine interfaces for a new control system being put in by International Aeradio under a £3.4m contract.

Mr John McEwan, manager of the research centre, says that ITT is planning to make increasing use of expert systems to mitigate the industry-wide shortage of technical skills. "Eventually" he says, "we will include expert systems in products.

In computer-aided design, the centre has been evaluating engineering workstations since late 1980. It soon decided against developing hardware and is buying systems from Valid, a Californian company founded in 1981 which reached £16m of CAD sales by 1983.

Valid has had notable success in Europe, with over 500 installations, 50 of which are within ITT. The three systems at Harlow, connected by an Ethernet local area network, are worth £100,000. Siemens, Olivetti, Philips, Ericsson and ASEA all have systems. Mr Pip Smith, European product marketing director, believes the companies all have similar plans to ITT—to encourage far-flung parts of their organisation to adopt similar approaches and to avoid duplication of assessment and system development. It is a vital matter in view of the cost of implementation of CAD.

The objective is not specifically to design either silicon circuits or printed circuit boards at Harlow, but to make it easier for the design units in ITT Europe to do so. The idea is to provide a proven and integrated set of design tools, together with start-up data and hands-on training in Harlow. The minimum amount of CAD development will be carried out to maintain "leading edge" knowledge.

Early effort at the centre was in component placing and routing for printed boards. But the move to workstations for individual engineers has allowed standard cell layout and gate array design in large scale integrated circuits, mainly for telephone exchanges, to be tackled on the same terminals. The aim is to move eventually to full custom circuit design using the valid systems, backed by twin Digital Equipment VAX computers.

Mr Kevin Webb, responsible for the CAD work at Harlow, sees individual workstations as essential for modern integrated circuit design. Iterative designing becomes easier on the high speed terminals, the work can be broken down into manageable chunks, copoeration between designers is facilitated, and the circuit can be more easily analysed for testing by automatic test equipment.

ITT is also seting up data links (over the European X25 packet switched network) from Harlow to Stuttgart, Oslo, Madrid, Rome, and the U.S. This enables circuit element libraries to be updated uniformly in those companies and also allows designs to be debugged by running them on the Harlow workstations.

Industrial design of the products—casings in particular—under Mr J. H. Pemberton will also soon be carried out by CAD. A solids modelling system will be used, but the supplier is yet to be named.

AUTOMATONS USING PNEUMATIC CONTROLS

Country cousin robots

BY PETER MARSH

TWO BRITISH companies are trying to convince the engineering business of the merits of the "country cousins" of the automation world—pneumatically-controlled robots.

The machines are relatively cheap—but they have an image of lower reliability and accuracy compared with the better-established class of robots powered either by hydraulics or electricity.

Martonair, a specialist in pneumatic-control equipment, is to sell from May a low-cost air-powered robot that it says will have many applications in engineering, for example in loading machine or packing boxes.

Unlike the conventional pick-and-place pneumatic devices that ar ewell established in industry, the Martonair machines are programable—their handling routines can be changed by altering the software in the robots' computers. David Oldham, industrial marketing manager, plans to sell 50-100 devices a year at about £15,000 each. The price is cheap compared with many comparable electric and hydraulic robots, which can cost up to twice as much.

But Martonair will face difficulties, if the experience of Pendar Automation Systems of Ebbw Vale is anything to go by. The company started to sell four years ago a similar machine which uses a novel technique to control the passage of air through a robot-control system.

Pendar's efforts came to little—the company sold only 48 machines and is now concentrating on sales of an electric robot that, at £19,000, is £4,000 more expensive than the air-powered device. John Harrison, sales director of the company, blames the poor respone on the image problems suffered by pneumatically-controlled hardware, which is regarded as having a poorer performance than the better established types of robot.

"We were banging our heads against a brick wall. We wish Martonair luck—any success by this company in selling pneumatic robots will also bring us benefits."

In theory, pneumatically controlled robots are attractive. Most factories have a supply of compressed air—and pneumatic valves and actuators such as cylinders are relatively inexpensive.

But it is difficult to move, by air pressure, mechanical arms with the high sensitivity required for industrial robots. As a result, electric and hydraulic robots have gained the upper hand. In these machines, the robot arms move in response either to the drive transmitted by electric motors or to pulses of hydraulic fluid sent through a tube.

Both Martonair and Pendar have hit upon new ways to control the air flow. These follow the principles of the simple pneumatic devices seen in a myriad of applications in factories al over the world.

Such mechanisms, called pick-and-place devices, do straight-forward jobs such as moving a mechanical arm from one point to another. The devices are powered by bursts of compressed air. In the simplest control system, air is pumped into a cylinder, the space inside which is subdivided by a piston.

Machines are relatively cheap but they have an image of unreliability

Depending on which of the two parts of the cylinder receive the blast or air, the piston travels either forward or back. This motion is translated by mechanical drives into a force that moves a handling device such as a gripper.

In such equipment, the two rest positions of the gripper are controlled by mechanical stops. The movement can be controlled only by altering the positions of these components. As a result, the machines have limited aplications. They usually work away in fixed routines such as unloading a specific type of item off a conveyor or holding in place fixtures during welding.

Industrial robots differ from these mechanisms by being programmable. By changing software in a computer, engineers can alter the movement of the robot's arm. It is fairly simple to link an arm powered by a hydraulic or electrical drive to such a computer.

The problem with air, however, is that it compresses easily. When air is pushed into a control cylinder, only a portion of the pumping force is translated into movement of the piston, while the rest of this mechanical effort reduces the volume of the gas. As a result, it is impossible directly to equate the pumping force with mechanical movement—which makes control difficult.

Both Martonair and Pendar have skirted this difficulty by arranging for sophisticated "feedback" systems to detect the position of a moving arm of a robot. (For robots with more than one axis, several feedback system would be required.)

Signals from position sensors are sent to a microprocessor. This, in turn, transfers instructions to a valve that controls the flow of air through the pneumatic actuator. In this way, the passage of air is continually changed to ensure that the moving arm takes up a set position.

In the hardware devised by Martonair, the position sensor on the arm sends readings to the microprocessor about 1,000 times a second. This then updates its instructions to the valve every 100th of a second. The mechanism can position the arm to within 0.1 mm. By a similar system, the Pendar robot moves between two set points with an accuracy of 0.5 mm.

Martonair plans to instal in its factory in Farnham a machine powered by this principle. The hardware will present lengths of bar to a sawing machine, an operation required in the manufacture of components in standard control devices. Currently, the company uses a machine controlled by mechanical stops—every time the length of bar changes, a worker has to alter the location of the stops with a spanner. With the new technique, operators will program via a keyboard any changes they require in the machine's operation, a simpler and quicker process.

Martonair is also experimenting with a thre-axis robot that uses the new control principles. With this machine, a factory could, for instance, deposit instance, deposit items from a conveyor belt into a number of positions in containers. Martonair says it has several companies interested in this kind of application.

Computers

Telex interface

A TELEX interface for the IBM Persnal Computer which slots inside any PC, XT or AT has been announced by Vaser of Amersham.

It is British Telecom approved and Vaser claims it is the first of its kind from an independent manufacturer.

The interface includes modem, cables and operating software based on the Volkswriter word processing package. Volkswriter gives the user conventional word processing on the PS while providing all the editing facilities needed for telex.

Called PC-Streamline, the interface converts standard ASCII (computer) code into Baudot (telex) code. It checks the number dialled, the answerback received and then transmits the message at telex transmission rate.

The complete package including board, modem, cables and software is £1,449. More on 02404 5434.

Stockmarket

Trading system

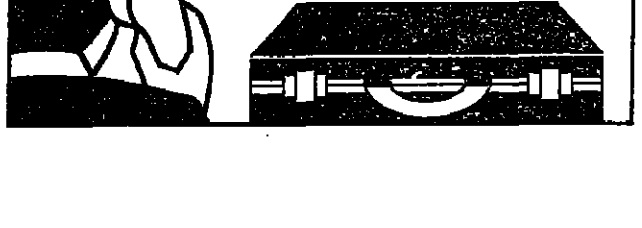
A TRADING system for stockbrokers and stockjobbers in the UK has been launched by Stratus Computer, one of the new generation of fault-tolerant computer manufacturers.

Called Colt (continuous on-line trading), the system was developed by a U.S. software house, Femcon Associations of Westford, Massachusetts.

It is designed to provide up to date information about all securities in which a trader makes a market while maintaining open order and block trade information.

It also generates a number of management reports including Inventory Average Cost.

According to Stratus, the system allows a firm to monifor trading activity and current position information.



THE MANAGEMENT PAGE: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

The choice of peers

Who likes which ads ? Feona McEwan reports

THERE ARE few more critical watchdogs of ads than those who make them. What then do they admire ?

With which work would they most like to have been associated—other than their own—and why ? We have canvassed the opinions of some dozen advertising men and women and here is what they said:

Don Arlett, executive creative director of Ogilvy and Mather, sat through 2,000 commercials from all over the world as a jury member at this year's Cannes Film Festival. "You'd think it would be hard to pick out just one," he says. "It's rare not to have a debate about the Grand Prix winner but this year there was no contest." The Apple computer "1984" commercial from New York agency *Chiat Day stood "head and* shoulders above the rest. One of those rare pieces that sets new standards just when you think everything has been said on the subject. It's a significant work that cuts across product categories."

Directed by Ridley Scott (the man behind Alien, and the British Airways Manhattan ad) it features a collection of "zombies" being programmed by Big Brother on a giant screen. Enter attractive female runner carrying sledgehammer which she hurls at Big Brother . . . suggesting an alternative freedom from the mindless totalitarianism of computers.

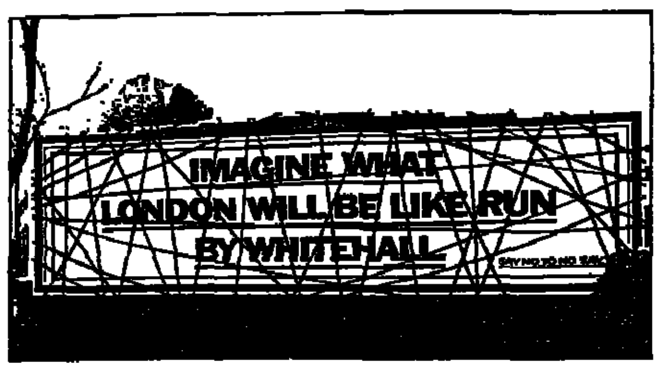
John Webster, executive creative director, Boase Massimi Pollit found a number of ads to admire. First the Hamlet cigar ad which plays havoc with the Channel Four symbol. The sections are finally reassembled in the shape of a smiling face complete with obligatory cigar and the familiar Air on a G String gives the game away. "A little masterpiece . . . it's always difficult to take a campaign that has been running for years and keep it fresh." Agency, Collett Dickenson Pearce.

The British Airways ad for wider seats (*Saatchi and* Saatchi) with the roof opening and a bird flying in, "showed real product benefit and portrayed it in a dramatic way . . . loved it."

A very funny piece of film, he says, is the Phillips compact disc ad(BBDO) parodying Torvill and Dean's Bolero skating sequence in the living room, though he's not sure how appropriate it is for the product.

The Heineken pop-up press ad on Fathers' Day, (another first from Lowe Howard-Spink Campbell-Ewald) with Beryl Cook illustrations of a prone Dad who, when the page is turned miraculously revives and sits up, was "a great piece of topical advertising."

"The delicious press ads for Sainsbury (Abbott Mead Vickers) go on and on . . . I especially like the double page spread of chocolate biscuits with the line "Can you guess which Sainsbury's chocolate biscuit is upside down?"



GLC campaign: "good political advertising whatever your polities"

Pop promos are a growing influence on advertising, Webster believes, highly imaginative and astonishing technically. He cites Gold Greenlees Trott's commercial for Kelly Girl which took its inspiration from *Fritz Laing's Metropolis* and uses Eurythmics backing music.

The "Tosh . . . Toshiba" commercials appeal to him for their effective use of dialect, East End in this case. In putting across the name the *Japanese client, understandably* perhaps, is said to have taken some persuading . . .

Danielle Barr, head of advertising at National Westminster Bank, includes among her favourites: the GLC campaign ("good political advertising whatever your politics"), London Docklands ("lots of impact, and clever use of devices—the crows—to make both general points about rehabilitation and specific points about individual companies").

The British Telecom commercial showing General Custer being called to the 'phone with the line: "It's for you —oo" gets the message into the language cleverly (agency KMP).

She loves, too, Fosters' beer ads (Hedger Mitchell Stark), especially the ballet and winetasting sequences, which play on cultural differences between Australia and the UK. "It is fantastically well targeted, too," she says, "sending up certain English class habits in a way that will amuse the audience it's aimed at."

Jeff Stark, creative director at Hedger Mitchell Stark, reckons "it has been a very lean year, though it didn't strike me until you asked." He cites the Channel Four Hamlet ad—"beautifully simple and creates all the more interest for being topical, which I believe makes for far more impact in advertising."

"You've got to mention the *GLC campaign (Boase Massimi* Pollitt) particularly the Red Tape poster [actually covered in the stuff]. It's incredibly powerful, simply told and the line 'Say No to No Say' sums up the proposition well.

"*It manages to conjure up an* image of London ruled by Whitehall as terribly ineffectual, making the GLC, which is also a bureaucracy, look warm and approachable by contrast."

Tim Delaney, creative director *of Leagas Delaney, cast admir*ing glances at the GLC and Kelly Girl campaigns as well as the Falstaff cigar commercial. The latter is a sitcom showing how a gentleman should behave in trying conditions, with shameless reference to the Titanic. He takes to the lifeboats with women and chilldren dressed in a frock, and is last seen complete with moustache puffing contentedly on said cigar. From Collett Dickenson Pearce.

Dave Trott, creative director, Gold Greenless Trott, chooses two ads—Cosifits disposable nappies and Sony, both from BMP.

"I like advertising that does something socially relevant," he says. "Ads tend to ignore unpleasantness like disease and death, focusing on health, happy families in the prime of life. But the Sony ad shows the *reality.*"

The commercial shows the changing ages of man (seated on a sofa) from babe to toddler, teenager to student, married man, family man, widower and the final shot shows an empty sofa.

Coslfits, which features wriggling offspring and their long suffering parents, is the first of its kind, he believes, to comprehend fully that babies are a handful for mums.

Marcantonio, creative director, Lowe Howard-Spink Campbell-Ewald, lists a clutch of worthy ads including the GLC campaign (especially the Red Tape poster, and four page press *ads showing, on one side,* front of Maggie and on the other her back) "even if it's not your politics," Hamlet Channel Four ad, and British Telecom's General Custor commercial.

Finally, the Saatchi and Saatchi ads for Christie's, the auctioneers, each beautifully laidout, "very legant" telling its own story of an unusual antique "find."

John Kelley, creative director, Geers Gross: "Not a very fruitful year but I like the Col Home Security ad (Boase Massimi Pollitt) featuring magpies breaking in and thieving. Technically it is quite complex. Once the house is locked up safely the birds fly away. It's a parody *of* the Hitchcock movie but makes its point in an original way." Director, Paul Weiland.

"I also like the continuing series of LWT posters (by GGT) especially Jimmy Tarbuck and friends, which features *Jimmy but no friends.*"

Neil Patterson, joint creative director, TBWA still laughs every time he reads the Citreon 2CV ad (by Colemans): "Faster than a Ferrari, as many wheels as a Rolls Royce, more room *than a Porsche" and so on. It* inspires affection, he says.

Allen Thomas, executive creative director, J. Walter Thompson, picks out the GLC campaign: "A very difficult proposion, very cleverly handled. I *especially like the ad with Ken* Livingstone saying: "If you want me out you deserve the right to vote me out. . . ."

He also singles out David Abbott's Volvo press ads especially the new one with *David lying beneath a car.*

John Hegarty, creative director, Bartle Bogle Hegarty: "I really like 3i's full page illustration ads from Doyle Dane Bernbach — I like the idea of treating a serious subject in such an interesting and fresh way."

Cinema sharpens its image

Raymond Snoddy explains the reasons for British Film Year

STEVEN SPIELBERG'S *furry* little monsters popping out of boxes on cinema screens all over the country have arrived in the nick of time for British cinemas. With the Gremlins, the year will end on a high note, although a few weeks of full seats with films like this and another hit, Ghostbusters, will not be enough to wipe out the memory of a disastrous year at the box office.

The two films will, however, probably keep total admissions *above 50m,* compared with 63m last year and will also provide an optimistic launch pad for British Film Year which begins in March.

Although the Film Year is designed to celebrate the best of British films, its most urgent task is to persuade people to go back to the cinema to see films whatevery country they come from. The all-industry campaign has set itself the task of reversing the apparently inevitable decline in cinema admissions and reviving the habit of watching films on the big screen rather than on television.

It was in Lincoln that Nicola Hervey, national events organiser for BFY, really became aware of the size of the problem she had to tackle.

Once there had been nine cinemas in the city; now there is only one—and half of that is given over to bingo.

"Lincoln is a graveyard for cinemas. Everywhere up and down the High Street there are dead cinemas," says Hervey. And in Salisbury the last cinema is under threat, she adds.

On a 10-week self education tour of cinemas all over the country this summer she rapidly identified the central paradox. Never has interest in British films been so high — or attendances so low.

"There is everywhere a love of film, up and down the country, and great affection for the cinemas that show them—people are very distresed to see their cinemas closing down," says Hervey.

The task now is to try and close that gap.

Because interest is so strong she has left in the wake of her national tour no less than 22 regional committees which will help to organise British Film Year events locally. Members of local councils, local newspapers and radio stations have rallied to the cause. More significantly the managers of local Odeons (owned by Thorn-EMI) have *sat down together with the man*agers of rival ABCs (owned by Rank) and even agreed to carry trailers of each other's films.

Yugh Routledge

Nicola Hervey (left) and Fiona Halton: aiming to bridge the gap between high interest and low attendance

British Film Year will be launched in London but will rapidly move out to the regions where the battle to save local cinemas will be largely won or lost.

The centrepiece of the marketing campaign for the British cinema will be the Roadshow — a travelling exhibition which will visit 25 British cities. Film stars will return to their roots to meet the public when the Roadshow is in town — for example Sir Richard Attenborough, director of Ghandi, will attend events in his native Leicester.

Stunt men will give performances of their skills, make up artists will transform the faces of volunteers and the Roadshow will publicise films showing locally. It is hoped that premieres and special seasons of the best of British cinema can be arranged in regional centres.

But most of all, it is hoped that the Roadshow will act as a funnel, to get people who have not gone to the cinema for years back in front of the silver screen.

Educational material is being produced for schools which will be combined with special screenings. "The decline of the cinema is not inevitable but it will be unless we do something to overcome the present paralysis," says Fiona Halton, executive director of British Film Year.

Halton first saw the need for a national marketing campaign to get people back into the cinema when she was an executive with the Association of Independent Producers.

"I trained as a manager with a Dutch publishing company and we spent most of our time looking for market gaps. I have never seen such a glaring market gap between those who want to go to the cinema and those actually going," she says. She had thought originally in terms of a British Film Week until a grander design took off.

Letters to Ministers and cinema executives produced an enthusiastic response and, as a relative "outsider," she was able to bypass traditional industry rivalries.

The cinema industry has committed around £1m to the Year which will also include seasons of British films in most of the major capitals of the world. The Government has nodded approvingly at the sight of an industry trying to help itself and is offering around £500,000; Halton is trying to raise £500,000 from sponsorship.

Negotiations are well advanced with oil companies, major retail groups and building societies.

Recently senior industrialists, many of whom had not been in a cinema for years, were invited to see *David Puttnam's new* film, Killing Fields, before the official premiere. One senior industrialist wrote saying the film had been *one of the most* worthwhile experiences of his life.

David Puttnam, producer of the Oscar-winning film, Chariots of Fire, and vice-chairman of British Film Year, believes the best place to see a film is in the cinema.

"The time, effort and energy that goes into the creation of a perfect picture is lost, sometimes totally lost, when the film is viewed in any other medium but cinema. And so we have a professional duty and a professional commitment to get people to see films in the way we made them," Puttnam argues.

But how does such a vision square with the reality of run down cinemas caught in a downward spiral of low attendances and low investment ?

The three major cinema chains ABC, Odeon and Classic (owned by Cannon Films) are *linking a significant* refurbishment programme into British Film Year. Together they have undertaken to spend £1m on modernising their cinemas every month throughout the year.

The *evidence seems to show* that modernising can play a major part in wooing the public back to the cinema.

Soon after buying the Classic chain of cinemas in the UK, Menacem Golan and Yoram Globus, the men behind Cannon, *one* of the most dynamic companies in the industry, went on a tour of their new investments.

"They were disgusted at what they saw," says Barry Jenkins, managing director of Cannon Classic which has 56 cinemas and 130 screens. A refurbishment programme was immediately ordered. The first to have a much needed facelift was the loss-making Classic at Cosham outside Portsmouth.

The single screen was replaced with triple screens with stereo Dolby sound. New seats were installed, carpets laid and the toilets tiled. The cinema is now making a profit.

"The most important thing is the film," says Jenkins. If the British cinema can get both the film and the facilities right he believes the decline can be reversed.

"We want the British public to give us a chance and we will *give them good films, luxury* and comfort," Jenkins promises.

THE ARTS

Museums/Roy Strong

Inheriting a hot seat

Within the world of museums the death of Lord Howard of Henderskalfe should give pause for reflection. He was, in fact, appointed to a chairmanship which he did not live long enough to carry out, that of the Museums and Galleries Commission, a recently reconstituted version of the old Standing Commission on Museums and Galleries set up in the inter-war years.

Readers may well ask what is this mysterious body and who is on it and why. It certainly never hits the headlines and jective report on their problems short column on the home page. To understand why it is so important for those interested in the future of our national and regional galleries and museums, it is essential to grasp not only the wider context into which it fits but also to consider elements which would indicate that the Government may well be thinking in a radical way about its future role.

The former standing commission as chaired by the late Lord Rosse was made up of non-practising professionals in the form of retired directors plus a sprinkling of worthies interested in museums. Their average age might be categorised as advanced. The nationals were each assigned to a particular member, the National Gallery, the Tate and the National Portrait Gallery, if I remember rightly, being lumped together in one person, an arrangement I recall as fatal when, as director of the last, we fell out with the first. Its main role was to monitor what was happening, or more generally what was not happening, in our museums and galleries and to advise the government on what it considered to be the priorities. Whether the Government ever took much notice of it is arguable. The old commission was not without its uses, however, and certainly as a result of its visits the branches of the National Portrait Gallery at Montacute and Beningborough materialised and the V & A's Indian collection was rescued from a leaky shed at Perivale.

Lord Rosse was succeeded by Sir Arthur Drew and under his leadership in the late 1970s and into the early eighties the Commission not only changed title but took a very different course. In the first instance it abandoned the nationals totally for almost a decade, taking the view that, as they had direct access to the government, they didn't need the help of the Commission. As a result no objetive report on the problems has appeared and their present attitude to the Commission may be imagined. This was not helped either by the decision to appoint to it two practising directors and a member of the art trade.

This may seem a storm in a tea cup but as the commission may be moving towards getting a royal charter it might well be asked whether in fact the Government's aim is to create for the museum world the equivalent of the Arts Council? At the moment pieces of a jigsaw which could be completed in that manner have already been placed in position. The secretaryship has been upgraded and the appointee is an ex-Arts Council administrator, the grant-in-aid for the purchase of works of art for the regions is to be removed from the V and A science museums and channelled through the commission and during the last financial year it was the commission which distributed the minister's welcome hand-out for conservation. All the signs are that with the abolition of the metropolitan authorities, those galleries destined by the Bill to receive direct Government funding will do so also by way of the commission.

What is so striking about all of this is how it has happened with so little public comment or debate in the art world. The logistics of it are a museums and galleries equivalent of the Arts Council with professionals sitting in judgment on professionals, panels assigned to various types of institution and the funding of the nationals, at present direct, being assigned also to the commission. The Government may be thinking that way, particularly in the aftermath of the Priestley Report in which the RSC and Covent Garden resisted proposals for direct funding. It would neatly tie-up the arts package to devolve away the museums to the commission and let the rows over the financial carve-up range around it in the same way that it rages around the council.

The long-term consequences of this are intriguing viewed in the light of Arts Council experience with its appalling role of maintaining a balancing act between the various art forms and between the nationals as against the regions. There is no doubt that it would go some way towards what the regions and in particular that old albatross, the Museums Association, have so long clamoured for, some form of national museums council, although it does not follow that they would necessarily benefit. It is striking that if this is what is being contemplated, how hopelessly under-financed and staffed the commission is for what would be a gigantic operation. Indeed the resources needed may be the determining factor in staying its materialisation.

Everything, therefore, points to Lord Howard's successor inheriting something of a hot seat. Much of the museum world, never noted for the fur flying, has already been alienated in the past few years by the commission. Lack of consultation about such revolutionary changes has added to that a deep sense of unease and suspicion as to the motive behind any innovation in respect of the commission.

For the first time for over a decade we have a Minister for the Arts who is not only interested in, but knowledgeable about, works of art. The fact that museums' grants have been announced as part of an overall arts budget instead of being relegated to the status of an after-event indicates he is thinking in a different and most welcome way. Let us hope that we see what portends to be a great museum debate, far in excess of that over charging, emerging into the open instead of proceeding as it has done up until now by stealth.

Alastair Muir

Joanne Whalley and Peter-Hugo Daly: dangerous proximity in a modern classic

Saved/Royal Court

Michael Coveney

Edward Bond's *Saved*, lodged in the public memory as the baby-stoning play, was first performed at the Royal Court in 1965 under club conditions and shortly afterwards prosecuted by the Lord Chamberlain. It was the last play subjected to this impertinent intervention, although the nannyish censor was not seen off until 1968. *Saved* received its first public performance in this country in 1969, directed, as the première had been, by William Gaskill.

I saw the 1969 revival and, despite the distraction of slides during the 12 tricky scene changes, it was clear then that Bond, in his second performed play, had written a modern classic. The judgment still holds good in this chilling, thoroughly engaging and expertly performed revival by Danny Boyle.

At this time of year, *Saved* may strike one as a perverse nativity play. The stoning is indeed still horrific: the lads in a South London park push the pram around the stage, punch the infant incumbent, bump it up and down, spit inside and finally hurl stones at the ever silent drugged baby. In the theatre, of course, we know the baby to be a dummy.

The baby belongs to Pam (Joanne Whalley) who shows it little affection. She rejects the child, just as she rejects her lover of the first few scenes, Len (Peter-Hugo Daly), in favour of the park boatman, Fred (Mark Wingett). Len stays in Pam's house, which she shares with her parents, Harry and Mary, as a lodger. Fred is convicted of the murder. On emerging from prison, he is glorified by his peer group. He moves away.

Len stays in the house where domestic tensions and rectiminations coagulate in a freeze-like impasse in the final astonishing scene. Pam flicks through the Radio Times. Harry, one of Bond's first ghostly somnambulists, slowly writes a letter. Mary reads. Len fixes a chair and lays his head upon it. The picture intensifies, stays intensified, melts and fades.

Saved has a sensual, snapshot quality which derives in part from its masterly use of sawn-off, stichomythic dialogue, in part from its brutalised view of explosive domestic proximity, as much a grim feature of British working-class life as it was 20 years ago. All of *Saved* is disturbing, hard to take, not just the park scene. It has a throat-grabbing, jangling, raw and poetic energy throughout. It is also a long, slow play (nearly three hours), but Mr Boyle's production shirks nothing, carries the piece to us with power and conviction.

No slides this time. Peter Hartwell's design reverts to the original staging idea of triangular flats, minimal scenic addition. (The Glasgow Citizens once stage the play entirely in a neon-lit supermarket.) We can see the pulleys to fly out scenery in the wings, the back brick wall of the theatre. In the park, Len and Pam are in a boat. When Fred lifts Pam out, the latent sexuality of the contact runs like an electric current through the theatre. Similarly, Len stitching Mary's stocking, with her leg still inside it, has the playful eroiticism of a similar scene in Orton's *Mr Sloane* (written in the previous year).

The stoning scene develops theatrically out of a simple fishing expedition and high spirits. More importantly it follows an even more disturbing scene in which Pam and the family gaze vacantly at an ill-tuned television while the baby howls off-stage. Len's scene with Harry (Tony Rohr) is an encounter both less mysterious and more refined than the central, mysterious relationship between Scopey and the tramp in *The Pope's Wedding*. That beautiful production returns to play in repertory with *Saved* in early January. Neither production should be missed.

Kissing God/Hampstead

Martin Hoyle

A comparison of the states of Peter Hartwell's set in the first and last scenes of the new play "devised and directed" by Phil Young points the moral as inevitably as those Victorian paintings that depicted the retribution visited on sinners, usually fallen women.

We first see Amy's attic bed-sit prettified with hangings, carpets and cushions to sit on—though she eventually finds a deckchair for her shy young landlord. By the end of the play the room is bare, stripped of everything but the bed and a few clothes: all has been sold to buy drugs.

The author of *Crystal Clear* portays the sombre descent of weak and lonely people into foul-mouthed scavenging, mutual mistrust and desperate interdependence.

Amy, a failed ballet dancer, at first takes drugs to soothe her guilt over an abortion, quell her hunger, give her a fillip. The reticent Mark rounds off an opening scene on Mike Leigh territory — all social awkwardness, fumbled compliments and shy advances—with the casually produced white powder that he sells his tenant along with accommodation.

Amy's friend, the Brum-accented Asian, Babbli, unwittingly tips the still controllable situation into disaster when she introduces cryptic Harry into the house. Not only struggling to keep off drugs himself, it transpires — with a coincidence that ends Act 1 on a faintly melodramatic note — that he originally initiated Mark with a first "fix."

Act 2 opens on a scene of squalour "a year later." The time-lapse indicates the play's chief weakness. Mr Young and his actors, creative contributors here as in *Crystal Clear*, are interested in placing a number of characters in a certain situation without bothering about how they got ther. The degradation of all-consuming addiction is harrowingly depicted.

However incomplete this Hampstead-BBC co-production seems—I can imagine continued work refining and amplifying it—it boasts an excellent performance from Kate Lock as Amy. Small physical details fill out a real person. The rest are less convincing, though Anton Lesser's Harry, laconic and restrained, has the gritty insensity to make plausible a final faint glimmer of hope in the encircling gloom.

The Dream/Sadler's Wells

Clement Crisp

Sadler's Wells Royal Ballet is installed for the Christmas season at its home theatre with programmes of tried and true favourites — with a new work to come from Jennifer Jackson that will maintain the company's creative identity.

Tuesday's opening began with *Concerto*, MacMillan's classical test-pitce, and closed with the jovialities of his *Elite Syncopations*. At the evening's heart was a joyous presentation of *The Dream*, memorable both for the dramatic colouring which its cast brought to its pretty ways, and for the dancers' evident enjoyment in what they did.

Ashton's Victorian vision — one fairly pose even recalls the *Pas de Quatre* that so delighted the good Queen — was seen again in Peter Farmer's charming design, and the gaiety of the playing, the lovers striking their preposterous attitudes with nicest sincerity, was irresistible.

So was the fleet dancing of the fairy horde, led by Marion Tait as a Titania of sharply expressed emotion and by Roland Price, unfurling his line in extragant extensions. Their last duet, one of the most mysterious Ashton has made in its combination of passion and reconciliation, was bright with feeling. Yet the performance was really dominated by David Bintley's appearance as Bottom.

The Mechanicals were a merry crew of grotesques—I wish that we might see them play *Pyramus and Thisbe*—with Mr Bintley showing once again that he is a character dancer of rarest gifts. The key to his Bottom-as-ass is the point-work he must perform, eagerly trotting and tittuping around the stage, but his greatest moment came with the awakening, when his meeting with Titania was recalled with a combination of bemused delight and a matter-of-fact realisation that it was only a dream. As always with Mr Bintley, the role seemed re-created, every least nuance appreciated for its choreographic/dramatic merits and made fresh for us. It is a master's performance.

A very different albeit equal mastery was shown by Galina Samsova in André Prokovsky's *Vocalise* which completed the bill. It is as light-weight as skater's choreography; its curves and swoonings are turned into art by Miss Samsova's impeccable timing and the passionate momentum with which she incarnates Rakhmaninov's yearning melody as she turns and yields in the ever-dependable arms of Alain Dubreuil. It is a text-book example of ballerina artistry.

The earthy Poet Laureate

Anthony Curtis

The new Poet Laureate, Ted Hughes, gained almost instant recognition for his first published volume of verse, *The Hawk in the Rain* in 1957. He is 54, a Yorkshireman, the son of a carpenter, and was educated at grammar school and Cambridge (English Tripos part one, then he switched to archaeology. He was a wireless-operator in theRAF for his National Service, and was married first to the poet Sylvia Plath and now to Carol Orchard.

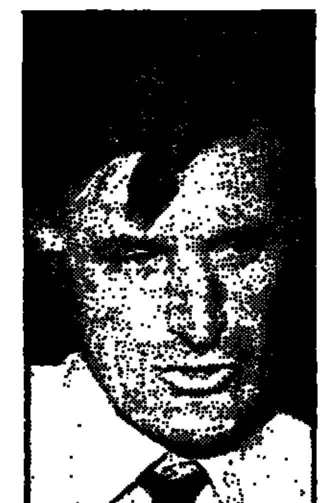
After the hothouse urbanity of the poetry then in vogue, critics responded to Hughe's blood-and-guts muscular manner rooted so firmly in the English soil. His vividly original and colourful manipulation of traditional forms and metres came, literally, like a breath of fresh air. After Sir John Betjeman the appointment of Hughes to this prestigious but underpaid office (£70 a year plus a case of wine) takes the laureateship out of the metropolitan drawing-room and puts it back in the Saxon mead-hall surrounded by bleak inhospitable moorland and nature red in tooth and claw.

Had Philip Larkin, the name most often heard from those who claimed to be in the know, been appointed the transition would have seemed smooth and almost dynastic in its continuation with a poet whose great and fruitful years were all behind him. As it is we have in Hughes a wholly different type of poet, a writer still at the flood-tide of his creativity, and a complete break with the courtier-like gentility of his immediate predecessors including Masefield and Day Lewis.

This is an exhilarating prospect for anyone who cares for poetry. It is almost as if the Queen had appointed D. H. Lawrence to the job; not so much the Lawrence who wrote novels and was winning new ground for fiction but the Lawrence who wrote poetry in which he identified so completely with animals and birds, evoking their pitiless presences with uncanny accuracy. Hughes's fine poem, *The Horses* belongs to this tradition to which the poet adds his own personal sense of apocalyse—"Slowly detail leafed from the darkness. Then the sun/ Orange, red, red, erupted..."

Just how this style and the poet's favourite image of the ruthless predatory Crow which dominates his work can be adapted to the celebratory needs of royal nuptials and christenings it will be interesting to see but it would be a mistake to underate Hughes's ingenuity. He has had already, for example, considerable experience in writing for children.

And anyway there is much more to the office of Poet Laureate than just coming up with the occasional public poem.



Ted Hughes

The laureate is the official representative of the art of poetry in the public mind, or to put it less pompously, he is poetry's public relations man. I suspect that Hughes will perform this part of the job extremely well. From now on his postbag will be swollen with work requiring his reaction from thousands of poets and would-be poets.

Irmelin/Radio 3

Ronald Crichton

"The best first opera written by any composer known to me," Sir Thomas Beecham said of Delius's *Irmelin*. He conducted the only production so far, at Oxford in 1953, by hte University Opera Club. The BBC's broadcast last night had one predecessor, many years ago. Otherwise *Irmelin* was known only by the Prelude, a re-working by Delius and Fendy for the concert hall. The operas of Delius are worth hearing in spite of their weaknesses because they are full of a strong, unmistakable lyricism, direct and undiluted however ecstatic. How such potentially popular works (*Fennimore and Gerda* partly accepted) acquired a reputation for esoteriscism goodness knows. All the same, when Beecham made the remark quoted above, he must have mentally excluded such one opera-composers as Beethoven.

Irmelin was written in France in the early 1890s at a time when Paris was in the state of cultural ferment. Delius, as a friend of several writers and painters of distinction, played some part in this—yet little rubbed off on his early operas. He wrote his own English libretto for *Irmelin*, using two legends picked up on a holiday in Norway with the composers Grieg and Sinding. The heroine is an unhappy princess who refuses the bridegrooms lined up by her kingly father. She has heard a voice telling her that one day her prince will come. She is a Tennysonian girl but the tushery and banality of the words are nearer the world of *Snow White*. "Press not they suit," exclaims the princess to free rejected swains in turn. *Irmelin* does not know until the beginning of the third and last act that in her father's dominions there lives a certain nils, a prince disguised as a Nils, a prince disguised as a swineherd, who goes on and on about a silver stream which will lead him to a fair maiden.

The two come together at the doleful wedding feast prepared by the insistent king, who has finally chosen an unwanted husband for his daughter. The king imprudently takes the menfolk out hunting, leaving *Irmelin* and *Nils* alone to blight their troth and wander away together in what is almost a separate opera. The work is silly, but not pretentious. Some of the music is good enough to make one accept the dramatergical feebleness. One unexpected bonus is the sureness of the vocal writing—not much of the stiff awkwardness of word-setting that mars some of the greatly superior *Village Romeo and Juliet*. Even so, the orchestra is given its head in several interludes and in the rapturous final duet, where passionate climaxes interrupt bursts of song make a rather fragmentary effect.

Norman Del Mar conducted with a warm advocacy that swept away objections. The BBC's Concert Orchestra made a lovely noise. Chris de Souza and Clive Bennett were the producers, tacful except when they allowed the scene in the robber's castle to become arch. Eilene Hannan sang Irmelin with her usual character and intelligence but with some tightness at the top. John Mitchinson startedh eavily as the prince-swineherd but one soon realised why a lighter voice wouldn't do for this part. The BBC, with the Delius Trust, promise a recording of the performance. There is enough melting music and pleasing singing to make one welcome.

Toad of Toad Hall/Fortune

B. A. Young

Toad of Toad Hall, A. A. Milne's filtered version of Kenneth Grahame's *Wind in the Willows*, reaches its 25th Christmas season in London this year. If there's anything wrong with it, no one seems to have noticed. Of course it's very middle-class, and has no pop tunes or jokes about television players; but the kids at the performance I saw were rapt, and when asked to shout, shouted for all they were worth.

One change, for my generation, is that Richard Goolden isn't in it, but the current denizens of the river-bank well deserve their dens. Graham Chinn is Toad for the third time, green paint all over his face under his green wig, seizing every chance, making one if no chance offers, to remind us of his supremacy at all the manly virtues. Frank Vincent's Ratty would have been happy up the Thames with Jerome K. Jerome's Three Men; there is a prettily naive and modest Mole from Graham Seed; and David King, magisterial as a good publican under his stripes, falls naturally in command as son as he enters the stage.

Peter Rice's décor and costumes are as bright as ever, and the ten scene-changes are done fast and silently. There are plenty of pretty little cameos among the numerous small parts — Paul Raffield as Chief Weasel, Philip Godawa as the Policeman (and less conspicuously, as the front half of Alfred the horse), Stan Pretty as the most unpantomime-like Washerwoman, Ian Cross as the Fox with a Glasgow accent. It's all just as it used to be, though I doubt if either Kenneth Grahame or A. A. Milne wrote the line, "There's a zebra, crossing." And as it used to be is as it must go on. Charles Ross, who has co-produced it for 22 of its 25 years, is this year's director.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

December 14–20

Exhibitions

PARIS

Le Douanier Rousseau: Extraordinary tropical vegetation with exotic flowers, gently poetic images of Paris and its surroundings, dignified portraits of himself and his friends fill Douanier Rousseau's canvases. Self-taught, appreciated by Apollinaire yet cruelly mocked by others, he found an escape from the daily humdrum existence in the dream world of his paintings. Grand Palais, 10am-8pm, Wed till 10pm, closed Tue. Ends Jan 7. (260.39.26).

The influence of French and Italian schools and fidelity to their national inspiration, the fascination with reality and romantic idealism, produced two contradictory tendencies in German painting in the second half of the 19th century. On the one hand, Arnold Böcklin, the symbolist, continues to mediate and dream of poetry and mytology. On the other hand the violence of colours of the New Realists announces 20th-Century Expressionism. Petit Palais, closed Mon, Ends Jan 13 (265.12.73).

Kandinsky: 70 paintings, many on loan from the U.S., Germany and Holland, are complemented by Nina Kandinsky's legacy of 700 drawings and sketches, by his correspondence, his library and his own collection. The vast retrospective, the most important in Paris since 1963, retraces the different stages in his creation: Munich, the Bauhaus and finally Paris. Centre Georges Pompidou, closed Tuesdays. Ends Jan 28. (277 1233).

Degas: His portrait of Diego Martelli and his astonishing Bureau des Cotons, with his Carnet 18 to be seen for the first and last time page by page, form the highlights of a vast exhibition of the master's sculptures, paintings, lithographs. Centre Culturel du Marais, 20-28 Rue des Francs-Bourgeois (272.73.52). Every day from 10am till 7pm. Ends Jan 27.

BRUSSELS

BBC exhibition on radio services and television including the French service and world service. Hotel de ville. Ends Jan 5.

Michele Purnal – paintings and drawings. Galerie d'Egmont. Ends Dec 28.

The Written Word: Origin and Progess – Société Génèrale de Banque. Ends Jan 3.

NETHERLANDS

Amsterdam, Willet-Holthuysen Museum (Herengracht 605). Amsterdam silver 1520-1820 is an exhibition of 250 items and groups displaying the mastery of Amsterdam silversmiths over three centuries. The show, which focuses on church, guild and table silver, includes a magnificent monstrance of 1517, ornamented drinking horns and finely wrought chains of office used by the civic militia companies, and four salt cellars from 1639-1643 by the celebrated silversmith Johannes Lutma. Ends Jan 13, closed Mon.

Van Gogh in Arles (Metropolitan): The first important exhibit to catalogue the annus mirabilis in 1888–89 when Van Gogh was inspired by the South of France is covered in 146 works, including paintings, drawings and letters. Special ticketing with specified entry times reflects anticipated ticketing with specified entry times reflects anticipated crowds of up to half a million. Ends Dec 30

WEST GERMANY

Cologne, Museum für Ostasiatische Kunst, 100 Universitätsstrasse: The Museum of Far Eastern Art is showing Korean art – some of which is more than 5,000 years old. It includes extremely thin-walled storage jars with scratch patterns, bronze and stone weapons, glazed vessels, woodcut prints, gold sheeting and gold ornaments, pearls, green jade and glass, a sepulchral crown, bronze figures and tombstone reliefs. Ends Jan 13.

Munich, Villa Stuck, 60 Prinzregentenstrasse: 80 coloured drawings from between 1880 and 1917 by Gustav Klimt, the Austrian chief protagonist of Viennese *Jugendstil*. Ends Jan 27.

Cologne, Kunstverein, 1 Josef-Haubrich-Hof: Works by Helmut Dorner, Lutz Fritsch, Clemens Kaletsch, Axel Lieber, Mechtild Nemeczek, Peter Telljohann and Claude Wall. Ends Jan 6.

Cologne, Römisch-Germanisches Museum: 'The Treasures of San Marco' has arrived. Forty-three pieces representing the best of antique, Islamic, Byzantine and occidental art from the world's biggest church treasure. Ends Jan 27.

Hamburg, Kunstverein, Glockengießerwall: Fifty-five paintings, water colours and gouaches by Edvard Munch, the Norwegian painter (1863 to 1944). Ends Feb 2.

Hannover, Forum des Landesmuseums, 8 Am Markte: Berlin Art between 1770 and 1930 has 200 bronze, gypsum, ceramic and china sculptures by artists ranging from Gottfried Schadow to Georg Kolbe. Ends Feb 17.

Düsseldorf, Kunstverein and Kunsthalle, 4 Grabbeplatz: Russian and Soviet Art – Tradition and the Present links the time of old Russian icon painting to today's contemporary approach with the help of 300 works of art. This is the most comprehensive show of Russian art presented in the Federal Republic. Ends Jan 27.

Marl, Sculpturenmuseum, Creiler Platz: Sculptures, drawings and graphics by Henry Moore depicting mother and child. The works include all his efforts to deal with this subject since 1922. Ends Jan 13.

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Mannheim: Städtische Kunsthalle, 9 Moltkestrasse: a retrospective of Robert Häuser with 150 black and white photographs from between 1941 and 1984. Ends Jan 6.

VIENNA

Fanny Eissler: This charming exhibition already shown in New York celebrates the dazzling career of the 19th century Viennese ballerina who died 100 years ago. Fanny Eissler, daughter of Haydn's valet, took Europe and America by storm in the 1840s – and broke a few hearts on the way. Costumes, posters, letters and other memorabilia evoke a beautiful and talented woman. Opera House. Ends Dec 30.

Medieval Art from Serbian Monasteries: This exhibition from Yugoslavia of religious art from Serbian Medieval Monasteries covers the period from the 10th to 17th centuries and includes some intricately worked silver book covers, chalices and incense burners. Gilded icons are also of interest, showing a surprisingly modern angular technique in depicting garments. Other exhibits include illuminated manuscripts and copies of frescoes, and all show a fascinating intermingling of eastern and western artistic influences. Museum of Mankind. Ends Jan 20.

The Vienna workshops: fashion and industrial design: The workshops, founded in 1903 by Josef Hoffman and Kolo Moser, introduced functional Jugendstil lines to all kinds of applied art. The workshops fell victim to the economic crisis in 1932 after producing a dazzling range of objects and designs, many now in the care of the applied arts museum. Futuristic, even bizarre cutlery, tea and coffee sets, lamps and textile designs are shown in the industrial design section of this exhibition. In the larger, less familiar fashion section sketches and photographs record a distinctive ladies fashion style from 1911 to 1932, dashing, willowy, elegant and exclusive. Museum of Applied Arts. Ends Jan 25.

LONDON

The Hayward Gallery: The Drawings and Sculpture of Matisse. The Arts Council has brought together two major exhibitions, each of which deals with a major aspect of Matisse's work. But though both are to got on elsewhere, they are not to do so as one; which makes their London showing an opportunity not to be missed. The entire sculptural œuvre is shown, 69 bronzes in all (it goes on to Leeds in the New Year), for the first time in this country; and the selection of drawings represents the largest retrospective study ever to be seen in London or New York (it goes to the Museum of Modern Art in the spring) of this fundamental preoccupation. It is a delightful, at times surprising and always an enlightening conjunction, most useful for the insight into the relation between his sculpture and drawing in the earliest years of the century, the crucial period of his first maturity. The clear hint is that if the painting of Matisse was qualified and informed by the drawing, so, in that very first period at least, it was the sculpture that gave the drawing its radical freedom and simplicity. Ends Jan 6.

The Tate Gallery: George Stubbs – the critical rehabilitation of our greatest horse painter continues with this magnificent exhibition, which clearly proposes him not only as our pre-eminent artist of the 18th century but as second only to Turner. The fact that we still designate him Horse Painter is at the root of the problem, for his popularity on that count, and his inclination to specialise, have long conspired to disguise the fact that a painter of horses may as well be a great artist as a painter of landscapes, or people for that matter. Ends Jan 6.

NEW YORK

Metropolitan Museum of Art: Te Maori begins its U.S. tour showing the native treasures of New Zealand, with a rich Polynesian heritage of stone and ivory ornaments, bone and stone weapons and wood carving. Ends Jan 6.

Museum of Modern Art: Primitivism in 20th Century Art has much good modern work by Picasso, Max Ernst, Brancusi among many others as well as striking tribal objects from Asia, Africa and North America, but the theme itself seems meant to fill space more than provide a better understanding of the primitives or the moderns. Ends Jan 15

WASHINGTON

National Gallery: Old Master Drawing from the Albertina, celebrating two centuries of Austro-American relations, includes Dürer's Praying Hands among the 75 works by Fragonard, Rembrandt, Pieter Bruegel the Elder, Lucas Cranach the Younger, and others. Ends Jan 13.

Hirshhorn: The entire third floor of the gallery will be filled with 157 works of painting, sculpture, constructions and installations done in the past decade by 147 artists in celebration of the museum's 10th anniversary. Ends Jan 6.

CHICAGO

Museum of Contemporary Art: Celebrating the foresight of local collectors, Dada and Surrealism in Chicago Collections includes more than 300 works by Dali, Ernst, Magritte, Miro, de Chirico, in mixed media including sculpture and photographs as well as paintings and drawings. Ends Jan 27.

ITALY

Venice: Museo Correr. Drawings by Gian Antonio and Francesco Guardi, a delightful exhibition of 250 drawings by the brothers, including, among the subjects, the famous views of the city by Francesco. (Closed Tue). Ends Jan 31.

Rome, Villa Medici (French academy): Degas and Italy. A gracious recognition by the French Academy of the importance of Italy to the work of one of the greatest artists of the 19th century (this year is the 150th anniversary of Degas's birth). The exhibition follows Degas's principle that preparatory drawings should be shown with the finished work. This has been done here with three remarkable paintings: the portrait of the Bellelli family (with its echoes of Piero Della Francesca). The works cover the period 1856-60. Ends Feb 10.

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Signs of an economic thaw

EVIDENCE from the real economy in recent weeks does not suggest that the UK is in the grip of the relentless squeeze which many academic and other forecasters have described, with a fiscal balance which, when corrected for infla*tion and the state of the cycle,* is in large surplus. The unexpected rise in the most recent figures for public sector borrowing and monetary growth have been reflected in the classic symptoms of monetary stimulus. Consumer spending, profits and equity markets are strong. The current account, sterling, and to a lesser extent the market in government stocks have been weak. If these figures represented long-term trends, any observer given no other evidence would suspect a rash fiscal dash for growth, accommodated by fairly lax monetary policy.

The truth, when it emerges, is likely to prove a great deal more complicated than this, but the picture is not entirely misleading. The PSBR and monetary figures are the most suspect evidence; indeed, the high November figure for borrowing will very probably wash out by the end of the year. Unusually heavy receipts of VAT (due to *earlier collection on*ports) and corporation tax (due to earlier collection on imports) and corporation tax usually strong final quarter of the financial year, quite apart from the proceeds of the British Telecom sale. The fiscal balance is probably on target.

However, even if the sums come out right, they are openly deceptive. A balance achieved by selling assets and by altering the timing of tax payments is not at all the same as a balance achieved by raising taxes or cutting expenditure; both the need to pay taxes early and the desire to subscribe *to privatisation* issues must tend to stimulate private borrowing. This helps to explain the inflated money figures; but even if the statistics are brought back under control, it seems unlikely that strong borrowing offset by over-funding has the same meaning as sluggish credit demand.

Investment

Meanwhile, yet another concealed stimulus from the last Budget is beginning to show results. The less favourable fturetax treatment of investment spending (deflationary, on the face of it) is stimulating a surge of investment spending to take advantage of the more favourable rules while they last. This helps to explain the very poor figures for external trade in manufactured goods. In an age of increasing specialisation investment is import-intensive in most countries, and especially in a relatively smal leconomy such as that of the UK.

However, apart from this evidence of fiscal-monetary sleight of hand, the economy is receiving another stimulus, which could prove a strong one, from the relative decline in sterling. *In real terms this has not been* nearly as great as the dollar rate or even the trade-weighted average would suggest, since UK labour costs continue to rise obstinately faster than in competing countries, but the fall, combined with some revival in world trade, has been sufficient to produce the least bad figures for export prospects in the current cycle. It it promising for profits, too.

Oil price

Finally, assuming that the coal strike does end some time in 1985, we can look forward to an improvement in the balance of payments and a further stimulus to output and demand from this source. On all the current signs, then, activity in 1985 could grow more strongly than at any earlier stage of our long, slow recovery. So far as the more competitive level for sterling reflects oil price expectations rather than the strike, or a temporary monetary overshoot, this picture loks fairly reliable. Indeed, if a weak oil price relieves the crowding-out effect of oil on other activity and employment in the UK, it could be as much of a blessing to us as to consumers of oil.

There is a prospective price to pay for this improvement. Both lower sterling and more buoyant markets threaten to stimulate inflation as well as activity, as is confirmed both by financial market expectations and by this week's CBI survey. A the moment, the threat remains quite subdued; both indicators suggest an increase in inflation of the order of one percentage point. If output does recover as suggested, rising productivity should make this achievable. But not only ministers will be keeping an anxious eye on costs.

Mr Gorbachev in London

IN PERSONAL and atmospheric terms, the visit to Britain of Mr Mikhail S. Gorbachev, reputed to be number two in the Kremlin, has got off to an encouraging start. It is many years since a western government met a Soviet leader who radiated such self-confidence without at the same time being gratuitously offensive or ideological. It is tempting to hope that his rising star in the Soviet firmament will prove an encouraging augury for a general easing of East-West tensions. But it would be imprudent to draw too many conclusions from his visit to Britain; or to forget that the centre-piece of the East-West relationship lies between Moscow and Washington, where the prospects for dialogue remain more remote.

The fact that Mr Gorbachev is paying an extended visit to Britain, exposed to substantial *publicity in the Soviet* as well as in the British media, strongly suggests that this is an important diplomatic event from Moscow's point of view. We should not conclude that this visit has been staged out of disinterested Anglophilia, however; it would be more sensible to assume that Moscow is playing a larger diplomatic game in which Britain may, or may not, have a constructive part to play.

Impressions

Mrs Thatcher has been so impressed by Mr Gorbachev that she has gone so far as to say *that she likes him and finds him* a man with whom the British Government can do business. So far as it goes, that is an optimistic verdict.

The Prime Minister will certainly be listened to attentively when she gives a first-hand account of her impressions to President Reagan at Camp David this weekend. For all we know, she may be able to provide helpful pointers which would make it easier for the U.S. Administration to formulate a coherent and constructive position in advance of the U.S.-Soviet talks which take place in Geneva at the beginning of January.

The fundamental problem is that the British and American governments may not necessarily see eye to eye, either on the general utility of a more constructive East-West relationship, or on the priorities to be assigned to various elements in the forthcoming arms control talks.

No one could accuse Mrs Thatcher of being soft on Communism; but no British government could want a perpetuation of the superpower confrontation which proved so unsettling for public opinion, and most European governments would be likely to believe that some appropriate mixture of firmness and diplomacy would be a better recipe for dealing with Moscow than undiluted hostility and suspicion.

Since there is no prospect of enforcing any fundamental shift in basic Soviet objectives through ostracism or economic pressure, it is better to discover what common ground there may be. But it is not yet clear whether the U.S. Administration really wants to do business with Moscow.

Star Wars

The most immediately neuralgic issue in the forthcoming Geneva talks is that of President Reagan's Strategic Defence Initiative, popularly known as Star Wars. At this stage, the SDI is only a research project, *whose technological complexity* ensures that the practical applications lie many years in the future. The trouble is that there is an uncomfortable concordance of hostility towards this programme in Moscow and in London, as well as in most other European capitals. The Russians fear their nuclear arsenal might one day be rendered impotent; the Europeans fear the start of a new, destabilising arms race and the end of arms control; and the Russians have warned that there can be no agreements on offensive nuclear weapons without parallel limitations on space weapons.

At Camp David, Mrs Thatcher will undoubtedly, and rightly, reiterate the British Government's anxieties about the Star Wars programme and its concern for a constructive arms control dialogue starting in Geneva. But the top priority for her, as for other West European leaders, must be ensure that the Soviet Union cannot exploit the Star Wars controversy to split the Atlantic Alliance on the most fundamental interests which Europe and America have in common.

Profile of Sir Nigel Broackes

An 'honest buccaneer' back on the high seas

By Duncan Campbell-Smith

Ashley Ashwood

Sir Nigel Broackes: claims boredom is the great bogey of his life

FRONT PAGE headlines in Fleet Street acclaimed the 50th birthday of Sir Nigel Broackes last July. And the kitchens of the Ritz laid on some extra-special catering for a *magnificent garden party* at his country home near Henley.

No tycoon could have asked for more. The gardens and marquees swarmed with men of property—a lot of property, in most cases. It was an occasion worthy of the Great Gatsby, never mind a joke copy *of the Daily Express, run off* the night before and presented personally by the newspaper's own chairman.

But then, the birthday host was a man who generally conforms as much to the Hollywood image of a tycoon as any other successful figure in Britain *today. Oddly, perhaps, Broackes* is still far from being a household name. But this, too, could be about to change.

For Broackes has done more than enough in 1984 to ensure —as he himself puts it—" the start of a new chapter."

The story so far has not been *short of a colourful chapter* or two. Broackes helped found Trafalgar House in 1956 and has been at its helm from the very first day. It is now a conglomerate with a market capitalisation fast approaching £1bn.

As its chairman, Broackes can look back on a string of property, construction and en*gineering company take-overs* in the 1960s which built up the core of his group. He can also count the Cunard liners, hte Ritz and Beaverbrook Newspapers amongst Trafalgar's purchases in the 1970s—so it Broackes is talking of a higher profile in future, plenty of people will be listening.

The City can have no doubt that he means it. At Trafalgar, he has pulled off three notable acquisitions this year, greatly expanding its oil, engineering and housebuilding activities. He kept the City guessing for six months whether Trafalgar would bid for P & O. He only retired *at a late stage from the* bidding for Sealink Ferries, finally sold by the Government in July, and he is still clinging to his plan for Trafalgar to build the National Gallery extension, with a built-in head office for itself.

Aside from Trafalgar, *Broackes was knighted* in the June Birthday Honours and has just become chairman of Euro-route UK. This is the British half of the Anglo-French consortium which is pushing a £4.4bn cross-Channel scheme. Broackes wants it to float a BT-style share issue as well as a bridge in the middle of the Channel, connecting two tunnels.

All this activity has impressed friends and competitors alike, Lord Matthews, chairman of Fleet Holdings and Broackes's longest and closest business associate, attributes it to his growing involvement in public life. "The change of government attitudes (since 1979) seems to have revitalised him," says Lord Matthews. "That's why we're seeing a new Nigel Broackes today."

Others have a keen eye on the main vehicle of his business ambitions. "He's more excited than ever about *building Trafalgar House* into a world-class company," says Mr Jeffrey Sterling, chairman of P & O and Broackes's chief adversary this year.

So what does lie behind Broackes' new aggression—and where might it take him?

The sheer persistence of the man's drive is remarkable in itself. He has now been a millionaire for over 20 years. His appetite for making money falls some way short today of the hunger which drove him on in the mid-1950s. The brash young man in the 4½ litre Bentley, rushing from car *dealers to estate agents to prop*erty development in search of a fast deal, has given way to the carefully cultivated image of the thinking man's financier. But the restlessness, the instinct in his own words "to press the accelerator rather than the brake," is there just the same.

Broackes claims boredom is the great bogey of his life. He and his family—always a very close unit—have moved through nearly 30 houses in 25 years to help him keep it at bay: Homes and Gardens magazine could run a glamorous issue on nothing but Broackes mansions, past and present.

In his early days, the restlessness combined to great effect in the property world with undoubted ruthlessness. When everything was collapsing in 1974, both William Stern and Ronald Lyon—the two great bankrupts of that year—were turned away empty-handed by Broackes in their hour of need.

The story is not short of a colourful chapter or two

"The nastiest things," as the survivar admits with rather startling relish, "I've always done myself." But he has had more than simple ruthlessness to see him through.

Broackes will admit—if pushed, for he is not an immodest man—that creativeness and a good financial imagination are the two attribues he most prizes in himself. He has made the most of them by adapting cleverly to sea changes in the UK business environment.

In the late 1950s and early 1960s, he was a leader among London's speculative property investors and into debt with the best of them. By 1974, though, he had long since switched from term investment to project development, integrating back into building and construction in the process.

*Ten years later, while pro*perty is still chipping in about a quarter of Trafalgar's operating profits, Broackes himself has moved on again. "Property was interesting in the first half of my adult life," as he explains. "But the heroes of that era have all disappeared, haven't they? Property management now is in the hands of salaried people rather than entrepreneurs. I have used the wealth I created for new purpose."

Some of these ventures, including Trafalgar's foray into hotels and shipping, have never done much for the group's rating in the City. Indeed, its 1977 purchase of Beaverbrook Newspapers—now demerged as Fleet Holdings—shook the City's confidence in Trafalgar in a big way.

The City was at least partly vindicated, as the group appeared to suffer "a bit of a vacuum" as Broackes now describes a loss of real direction in the late 1970s. Others say he simply ran out of ideas, confronted by a hostile business climate. Either, way, anyway, he has bounced back since then with heavy investments in the UK civil engineering and oil and gas sectors.

These areas provide the kind of environment which Broackes looks for, the conditions in which he believes he can make the most of his skills as an entrepreneur. "He still has that merchant adventurer flavour about him," says Mr Christopher Benson, head of the MEPC property group. "He's a bit of a buccaneer if you like — but an honest one and no Captain Morgan."

Another attribute setting Broackes apart from the more notorious members of the swashbuckling fraternity has been his basic talent for numbers. He is more than just a good poker player, though he is certainly that too.

He left Stowe public school when he was 15 and has never received any formal accountancy training. "But he understands balance sheets and gearing and all that jazz very well indeed," says Eric Parker, Trafalgar's *chief* executive and *himself* an accountant. "Better, I would say, than a lot of people in my own profession."

A shrewd appreciation of the implications of new atx laws, in particular, has often given Broackes a head start on his competitors. Any history of the UK property sector since the *war would have to draw heavily* on his innovatory thinking at several points.

All this concern with grand strategy on the one hand and esoteric tax matters on the other, of course, pre-supposes some initial success at the more mundane business of day-to-day operating management. Broackes's real skill here—and his great good fortune, too—has ben his ability to delegate to others.

Most of his associates would probably agre he is not, in the routine sense, much of a manager himself. His manner, to quote one of his more generous critics, can be "a bit presidential." Privately a loyal and sensitive man, he can at times be brutally and unwittingly insensitive in public. Of his long business partnership with Lord Matthews, for example, Broackes today says he will "never have such a relationship with an*other man for the rest of my life*" and it lasted 18 years. Yet when Broakes published an autobiography in 1979, it appeared deeply and gratuitously wounding to Matthews.

It was Matthews' basic management skills which steered Trafalgar through the 1970s, just as the group's daily operations are today co-ordinated largely by Parker ("the best commercial accountant I've ever met," says Matthews, who effectively moved aside in 1982 to concentrate on managing Fleet Holdings).

One great virtue of this arrangement for Broackes is that it has allowed him to play a growing role in public life. He was chairman of the London Docklands Development Corporation (LDDC) from 1981 to July this year—a job he much enjoyed, which seems to have left as great an impression on him as he has left on the docklands.

His lasting achievement there is that, pretty well single handedly, he managed to stimulate genuine City confidence in dockland investment. This meant that the price of land in, for example, the Isle of Dogs rose in three years *from £80,000 to £400,000 per* acre. LDDC thus recouped 60-80 per cent of its infrastructural investment, while launching the site as a commercially viable development.

Beyond the City, it might fairly be said the common touch is not his forte. At the LDDC, plans to visit East End housing estates incognito in a Ford Escort were soon abandoned. As Broackes himself explained to his associates, he enjoyed his Rolls Royce and he enjoyed his cigars—so why should he pretend otherwise?

He disclaims any political ambition of his own

This, of course, has helped his critics cast him in the classic image of the cowboy property speculator. Mr George Nicholson, chairman of the GLC planning committee, still insists the image is entirely suited to the LDDC's record under Broackes, "stuffing as much money as they could in the back *pockets of private developers.*"

But most of those associated with him in the docklands, including a good many, initially hostile, Labour councillors, remain fulsome in their praise for he accomplished.

With his task there completed, he evidently has far more time for ambitions in the priavte sector. The LDDC job has opened doors in several directions and Broakes has a formidable number of business friensd and acqunaintances to help him o nhis way (and very few enemies, he says: "in fact, if I had to think of a real enemy, I *really can't*"). He is the chairman of the Square Mile Club, a little known but high-powered City dining circle.

The apparent gregariousness, though, is actually misleading. Broackes has few really close friends. "He is really quite a shy person," says Christopher Reeves, chairman *of Morgan* Grenfell bank and a fellow member of the Square Mile, and many who know him well agree he is ultimately a loner.

He certainly prefers the company of his wife and family or the solitude of his studio—he is a gifted silversmith—to the more *ostentatious* lifestyle he could command. This still leaves room for the tycoon image and he has a lavish yacht off the Riviera (bought from Lord Grade) for entertaining. But he remains a deeply private man.

He disclaims any political *ambition of his own* ("you have far less ability than people think to get things done") and firmly denies rumours that he has Mrs Thatcher's ear; nor will he be drawn on the row earlier this year over her son's involvement with Cementation, a Trafalgar subsidiary.

He readily acknowledges, though, a keen admiration for the Prime Minister and all things Thatcherite. Asked to contemplate the prospect of a peerage, he deftly demurs and cites an ever bigger dividend for Trafalgar's shareholders as one of his few immediate goals. But LDDC has clearly left him with a lingering taste for public life: he would need no second invitation withEuroroute UK to take up the challenge of a cross-Channel link.

He seems confident his time will come. Meanwhile, there is plenty to be done with Trafalgar. And he is, after all, still only 50 years old.

Men and Matters

Mrs Thatcher's kind words

Mrs Thatcher arrived in Peking with a useful present in her baggage for Zhao Ziyand, the Chinese premier.

Part of the ceremony to mark yesterday's signing of the agreement on the future of Hong Kong was the traditional exchange of gifts.

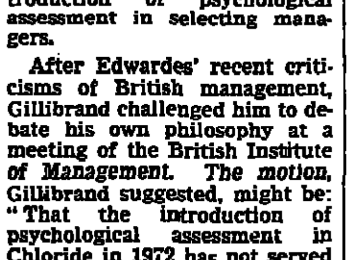
Instead of the usual piece of *pottery or antique fire-irons*, she gave him a £10,000 British-made word processor, which works in Chinese, and is cleaimed to be something of a break-through in this technology.

I asked the maker,Ferranti, the Manchester-based electronics group, why it is so special.

Translating Westrn languages into Chinese script is a task of baffling complexity. Ferranti has done it by a two-stage process. A Chinese-speaking operator at the keyboard first puts the English into Pin Yin, which is a representational language *for expressing Chinese in Western characters*.

Then a computer graphics system reads the Pin Yin and offers appropriate Chinese symbols on the screen. Sometimes there will be more than a dozen different forms of meanings to choose from. It takes twice as long as conventional word processing. But even that is a big improvement on anything conventional translaters can manage.

Perhaps not wishing to appear stingy, Mrs Thatcher also threw in the man who invented the machine—Raymond Wu, a Hong Kong-born Chinese in his 20s who now lives in Manchester. *Wu will stay in Peking* to train the Chinese prime minister's staff to drive it.



"Don't you speak to me like that—I'm not one of your own front benchers you know"

Test score

Chloride chairman, Sir Michael Edwardes, and his persistent critic, Dr Maurice Gillibrand, leader of a shareholders' action group, seem to be back where they started their skirmishing some 12 years ago.

Gillibrand, who was Chloride's head of research, left in 1972 after disagreements over Edwardes' management philosophy—and in particular his introduction of psychological assessment in selecting managers.

After Edwardes' recent criticisms of British management, Gillibrand challenged him to debate his own philosophy at a meeting of the British Institute *of Management*. The *motion*, Gillibrand suggested, might be: "That the introduction of psychological assessment in Chloride in 1972 has not served the interests of shareholders."

Edwardes has declined. Chloride secretary, D. J. Wright, has told Gillibrand that it has already been *made clear that* other factors besides psychological tests were taken into account in management selection.

If Gillibrand wanted to raise the issue again, he suggested the annual general meeting of Chloride would be the proper forum.

Gillibrand has responded that if Edwardes is agreeable to the motion being put to the meeting "I shall be pleased to acknowledge that he has the courage that he claims is lacking among other managers."

Not that any debate is likely to change anything. At the last agm, Edwardes had 76m votes on his side against Gillibrand's 3.4m.

Double take

Professor Edward Teller, the Hungarian-born U.S. physicist who is often credited with both the H-bomb and the Star Wars weapon concepts, may well lay claim in some political quarters claim in some political quarters to the title of the world's most unpopular scientist.

But Teller earns an elegant compliment from a famous colleague in this month's issue of the Washington journal, Science-84.

Richard Feynman, who won the 1965 Nobel prize for physics, worked on the A-bomb at Los Alamos with Teller. In a forthcoming book of reminiscences, entitled "Surely you're joking, Mr Feynman," he recalls how he became an expert lock-picker through his efforts to demonstrate that the laboratory needed better security.

Then Teller disclosed that he kept his secrets locked in his desk rather than the filing cabinets.

Feynman found he did not even have to pick the desk lock. By putting his hand underneath the back of the desk, he could pull out Teller's papers one by one "like those toilet paper dispensers."

Having emptied the drawer, he asked Teller if he might inspect the desk. "I'll be very glad to show it to you if you havne't already seen it for yourself," said Teller, as he unlocked it.

Alas, says Feynman drily: "The trouble with playing a trick on a highly intelligent man like Teller is that the time it takes him to figure out from the moment he sees there is somethting wrong till he understands exactly what happened is too damn small to give you any pleasure."

Capital business

Estate agents Knight, Frank and Rutley have just contracted the services of Mary Ann Sheehy, wife of Tim Sheehy, a British official on loan from the European Community to CADCC, the southern African economic development organisation. She will be looking after KFR interests in distant Botswana.

The property market in Gaberone, the capital, is much more active than might be imagined. There is a strong demand for houses from embassies and international organisations.

She is, however, disbarred from visting some of her prespective clients in Johannesburg. Because of their criticism of apartheid, the Sheehys have long since been declared prohibited immigrants to the Republic of South Africa.

Coin a phrase

Though none has yet come my way, the 1984 one pound coins are just beginning to circulate. Apart from honouring Scotland by showing an uprooted thistle encircled by a crown, I gather they also issue an uncompromising challenge to their many critics.

Betraying an unexpected sense of humour somewhere in the Treasury or the Bank of England, the bland inscription Decus et Tutamen round the edge of the coin is replaced by the defiant Nemo Me Impune Lacessit—freely translated as "nobody mucks about with me and gets away with it."

Observer

BASE LENDING RATES

A.B.N. Bank	9½%	Heritable & Gen. Trust	9½%
Allied Irish Bank	9½%	■ *Hill Samuel* §	9½%
Amro Bank	9½%	C. Hoare & Co. †	9½%
Henry Ansbacher	9½%	Hong Kong & Shanghai	9½%
Armco Trust Ltd.	10½%	Johnson Matthey Bkrs.	9½%
Associates Cap. Corp.	9½%	Knowsley & Co. Ltd.	10½%
Banco de Bilbao	9½%	Lloyds Bank	9½%
Bank Hapoalim	9½%	Mallinhall Limited	10 %
BCCI	9½%	Edward Manson & Co.	10½%
Bank of Ireland	9½%	Meghraj and Sons Ltd.	9½%
Bank of Cyprus	9½%	Midland Bank	9½%
Bank of India	9½%	■ Morgan Grenfell	9½%
Bank of Scotland	9½%	National Bk. of Kuwait	9½%
Banque Belge Ltd.	9½%	National Girobank	9½%
Barclays Bank	9½%	National Westminster	9½%
Beneficial Trust Ltd.	10½%	Norwich Gen. Tst.	9½%
Brit. Bank of Mid. East	9½%	People's Tst. & Sv. Ltd.	10½%
■ Brown Shipley	9½%	R. Raphael & Sons	9½%
CL Bank Nederland	9½%	P. S. Refson	9½%
Canada Perm'nt Trust	9½%	Roxburghe Guarantee	10 %
Cayzer Ltd.	9½%	Royal Bk. of Scotland	9½%
Cedar Holdings	11 %	Royal Trust Co. Canada	9½%
■ Charterhouse Japhet	9½%	■ J Henry Schroder Wagg	9½%
Choulartons	11 %	Standard Chartered ‖	9½%
Citibank NA	9½%	Trade Dev. Bank	9½%
Citibank Savings ¶	10½%	TCB	9½%
Clydesdale Bank	9½%	Trustee Savings Bank	9½%
C. E. Coates & Co. Ltd.	10½%	United Bank of Kuwait	9½%
Comm. Bk. N. East	9½%	United Mizrahi Bank	9½%
Consolidated Credits	9½%	Westpac Banking Corp.	9½%
Co-operative Bank *	9½%	Whiteaway Laidlaw	10 %
The Cyprus Popular Bk.	9½%	Williams & Glyn's	9½%
Dunbar & Co. Ltd.	9½%	Wintrust Secs. Ltd.	9½%
Duncan Lawrie	9½%	Yorkshire Bank	9½%
E. T. Trust	10 %		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Robert Fleming & Co.	9½%		
Robert Fraser & Ptns.	10 %		
Grindlays Bank ‡	9½%		
■ Guinness Mahon	9½%		
■ Hambros Bank	9½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.25%, 1 month 7.00%. Fixed rate 12 months £2,500 8.75% £10,000. 12 months 9.00%.
† 7-day deposits on sums of under £10,000 6¼%. £10,000 up to £50,000 7¼%. £50,000 and over 8%.
‡ Call deposits £1,000 and over 6¼%.
‖ 21-day deposits over £1,000 7¼%.
§ Demand deposits 6%.
¶ Mortgage base rate.

ECONOMIC VIEWPOINT

A project we cannot fund

Samuel Brittan reflects on how Adam Smith's manuscript might be received by an academic grant-giving body today

Prof. J. R. Sargent,
Chairman,
Economic Affairs Committee,
Economic and Social Research Council,
1 Temple Ave., London EC4

Dear Dick,

In view of the delicacy of the matter, I am writing you a personal letter before sending my formal referee's report on Dr A. Smith's project.

The manuscript is presumptuously entitled *An Inquiry into the Nature and Cause of The Wealth of Nations* (although the word "nation" does not even appear in the index). The most rudimentary requirements of scholarship are absent. There are *no* equations stating the relationships the author wishes to investigate. Econometric testing, which we take for granted even in the least sophisticated ESRC appliction, is conspicuous by its absence.

There are no charts; and even tables of figures, of the unsophisticated kind which one might expect to find in Financial Times articles, are conspicuous by their scarcity and difficulty of finding. There is an Appendix on bounty to the White Herring Fisheries in Scotland and on foreign salt imports into Scotland. While the first of these illustrates the writer's prejudice about the Common Agricultural Policy, neither throws any light on "why growth rates differ among nations," which I took to be the subject of the treatise. There are two tables of wheat prices from 1202 until recent years, although I doubt if even Dr Smith would claim to base a theory of moneyo r inflation on so rudimentary an indicator.

Where is this pin factory? Has Dr Smith invented it?

Even if we bent the rules and considered Dr Smith at his own valuation as an old-fashioned scholarly economist, without claims to statistical or mathematical sophistication, his work does not pass muster. There is no list of references or any systematic bibliography of the literature. Extremely scanty footnotes referring to books with titles such as *Voyages d'un Philosophe* or *Historical Treaties of Cities and Boroughs*, scarcely increase one'e confidence that Dr Smith's own work will be rich in *testable propositions*.

The first chapter purports to be an empirical account of how productivity depends on the division of labour. The main example is that of a pin factory (said to be famous among Dr Smith's friends) in which 10 people, each specialising in a small number of operations, produce 48,000 pins a day, i.e. 4,800 per head. Where is this pin factory? Dr Smith claims to have visited it. But he gives no reference whatever. How is the reader to know that Dr Smith has not invented it, or read about it in a book?

The assertion is made that if all the workers "had wrought separately and independently and without any of them having been educated to this peculiar business, they certainly could not each of them have made 20, perhaps not one pin a day." Where is the evidence for this assertion? In any case the range of 20-to-one is quite unacceptably high.

Dr Smith has also confused the effects of specialised training with economies of scale. Even if we try to overlook this howler, it is quite impossible for a more sophisticated researcher to draw up a production function on the basis of this data. There is a hint that in larger pin factories, the work can be divided into 18 operations. But what is the prouctivity gain from moving from a 10- to an 18-person operation? And do not diseconomies of scale begin at any point?

There are certain things that are not even worth demolishing. I thought we had eradicated the vice of anecdotalism from British—even North British—economics. But this is not even anecdotalism; it is sheer journalism.

But worse still is to come. There is not even a pretence of analysing data in Chapter 2. We are simply furnished with speculations on the propensity in human nature "to truck, barter and exchange one thing for another" and the absence of such a propensity in animals such as dogs, who are never seen to exchange bones. Forgive my using rude words but this is sheer sociology.

Yet that is not the end of it. Instead of setting down the equations of exchange and the conditions for an optimum, Dr Smith speculates about motives (which I thought had long been banished from the most elementary models). He warns against dependence on the benevolence of othrs and suggests we should enlist other people's "self love" in our favour. There follows another Smith aphorism: "It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest." Imagine what the Bishop of Durham would say if he found we financed work of this kind.

These speculations bring Dr Smith to postulate the kind of hypothetical entity which gives social science a bad name: an "invisible hand" no less. This is supposed to lead each individual to promote an end which was no part of his individual attention, which promotes the interests of society more effectively than if he had set about to do so. As if this were not enough, he adds: "I have never known much god done by those who offered to trade for the public good."

I am going to be absolutely frank. Given the Thatcherite temper of the times and the distrust of rigorous social science in high places, I did contemplate dropping all standards altogether and suggest that we promote a work with a fre-enterprise flavour—hoping that the level of the argument would speak for itself.

Unfortunately Dr Smith is not merely unrigorous, he is not even a good Tory. On the very next page he suggests that the difference "between the most dissimilar characters, between a philosopher and a common street porter, for example seems to arise not so much from nature as from habit, custom and education." He goes on: "By nature a philosopher is not in genius and disposition half so different from a street porter, as a mastiff from a greyhound, or a greyhound from a spaniel, or this last from a shepherd's dog." Sociological zoology which will not go down well with our Education Secretary.

Despite the 18th century prose style affected by the author, he cannot refrain from the most embarrassing intervention in contemporary politics. For instance: "Those local or provincial expenses of which the benefit is local or provincial (wht is laid out, for example, upon the police of a particular town or district) ought to be defrayed by a local or provincial revenue, and ought to be no burden upon the general revenue of the society. It is unjust that the whole society should contribute towards an expense of which the benefit is confined to a part of the society." Why does he have to insert the case for a local incomet ax in a purportedly theoretical treatise?

The question is whether such remarks will do the ESRC much good when councils that build houses for the public good and then sell them at a loss—sorry. I mean a discount—enjoy such support among Conservative as well as Opposition MPs. Dr Smith is surely not a political economist, but an anti-political economist.

Dr Smith's penchant for value judgments gets out of hand when he remarks, in qualification of his own free trade case, that "defence is more important than opulence," as if his opinion had been asked.

Then there is a purple passage, which I cite from memory (the so-called index, added perhaps by another hand, being no guide to this sprawling manuscript) about those engaged in a common trade seldom meeting "even for merriment or diversion" without some conspiracy to defraud the public.

This will hardly help the Research Council attract support from the private sector. What defence could we have of this passage against our "natural supporters" in industry? What is Dr Smith's definition of a conspiracy? What evidence can he have of conversation at private meetings, where a researcher is hardly likely to be allowed?

But it is a waste of time to ask these questions. As usual there is no mention of the research methodolgy. On the most charitable interpretation, he has conducted a one-man survey. But he does not deign to tell us how many social business gatherings he has attended — let alone the definition of such occasions — and the proportion of them in which a "conspiracy" was discussed. This man's evidence is unreliable and his opinions offensive to all parts of the political spectrum.

To finance Dr Smith's project to curry favour with the present British Government would be a disastrous tactical error. It would not take a particularly bright political adviser to point out to Ministers that the hostility to trade bounties applies to subsidised fixed rate export credit. His hostility to import restrictions will not be of help to the Secretary of State for Industry in renegotiating the Multi-Fibre Arrangement and fighting off the LDC demands for higher quotas.

But he condemns himself out of his own mouth. He accepts that there may be a case for retaliation to force other countries to abandon protective restrictions—a welcome belated recognition of the economics of the second best. Then he shoots himself in the foot by remarking: "To judge whether such retaliations are likely to produce such an effect does not, perhaps, belong so much to the science of of a legislator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that insidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary fluctuations of affairs."

Opinions offensive to all parts of the political spectrum

Do we have to remind Dr Smith who appoints the ESRC? If he wants to bite the hand that feeds him, let him do it on his own.

How glad I will be to dispose of Dr Smith and get down to some worthwhile Christmas reading such as *Efficiency and Equity Effects of Reforming the British System of Direct Taxation: A Utility-Based Simulation Methodology* by A. Zabalza and J. L. Arrufat.

Yours ever,
David

Jobs, pay, unions and the ownership of capital

A booklet containing reprints of Samuel Brittan's recent articles on these subjects is now available from Nicola Benham, Publicity Department, Financial Times, Bracken House, Cannon Street, London EC4, price £1.50, including postage.

Lombard

Lobbyists in the Commons

By Peter Riddell

WALK DOWN the main committee corridor of the Commons any Tuesday or Thursday morning during the winter and spring and you will see not only ministers, MPs, their staffs, and the occasional journalist, but also a large, and growing army of lobbyists.

In short, Parliament is increasingly resembling the corridors of the U.S. Congress. But, according to conventional constitutional thinking, Parliament has a secondary role in legislation. Whitehall is where bills are created and the Commons largely rubber stamps them, with only minor changes, as a result of the tight whipping system. Hence the lobbyists should concentrate their attentions on ministers and officials in the crucial pre-parliamentary phase.

The initiative still, of course, lies with the executive which can get the majority of its bills through in almost their entirety. But there are important exceptions. MPs have proved to be increasingly independent, almost regardless of whether the Government of the day has a large or small majority, or none at all.

The result has been several defeats in committee on important bills. Even in the current session rebel Tory MPs have succeeded in pushing through a major amendment to the Films Bill and in blocking discussion so far on the Civil Aviation Bill.

There has also been a pre-emptive backbench influence on legislation. Just over three years ago, for example, a threatened Tory backbench revolt forced the Government to withdraw its bill limiting local rate rises through the use of referendums. And we have now moved so far from pre-budget purdah that the Chancellor is being put on the defensive in face of the mobilisation of MPs against rumoured extensions of Value Added Tax and the taxing of pensions.

The constitutional romantics see this dissent as a welcome shift of influence, if not power, away from a dominant executive. But it is not quite as simple or pure as that.

But quite a number of rebel MPs, particularly on standing committees considering the details of financial or commercial bills, are also spokesman for affected interests. For instance, several members of the committees considering the Film and Civil Aviation Bills have interests in, or been involved with, the relevant sectors, now or in the past.

There is nothing inherently wrong with such links, which at least ensure some expertise. And the MPs concerned are expected to declare any financial interests at the start of proceedings. But there is a danger of excessively cosy *links* between special interests and MPs arguing on their behalf which can lead to the amendment of bills or, more frequently, concessions. That is why the lobbyists now think it is worthwhile to spend so much time in Parliament.

A Bow Group report this week has highlighted a number of abuses in the present system—eight MPs allegedly running consultancies without declaring them and the abuse of parliamentary facilities by lobbyists through tame MPs and their research assistants. The subject is being examined by the select committee on members' interests which should report in a couple of months time.

MPs have, of course, always been spokesmen for special interests—from the East India Company in the 18th century, via the railway companies in the 19th to a multitude of commercial concerns and trade unions now. However, the dividing line between advocacy and influence is becoming blurred and some well-organised groups are gaining privileged access to affect legislation.

Fortunately, the limits on individual candidates' election expenses and British parliamentary conventions should prevent the worst abuses seen in the U.S. where some congressmen are dependent on special interests for campaign contributions. But even if MPs should, rightly, be free to do what they want, there needs to be a fuller disclosure of which members are representing particular interests.

Letters to the Editor

The spirit is willing . . .

From the Deputy Director, The Volunteer Centre

Sir,—Few would disagree that increasing the opportunities for community involvement by people of any age is a high desirable goal. Most people are aware that there exists throughout the country a fertile and variegated landscape of local voluntary bodies wherein lies the experience and practical skill of volunteer deployment. It is to strengthen these that new resources would be most effectively routed — if these resources are stable and secure and can be geared to local needs. The turbulence and distortion resulting from introduction and replacement of one national programme after another in the last decade is well-documented and readily understood.

To will something is not the same as to do it. Work done under such a scheme would have to take place somewhere, under somebody's supervision and the invariable target is the public services. Paid staff in these services say they would like to help unemployed people — of course they would. Agencies like my own and many others have found that translating that goodwill into practice in highly pressured, demanding jobs is a long uphill battle.

It is not at all certain that this is what unemployed people want. A study I carried out this year in Britain, Holland, Belgium and France, sponsored by the European Commission, showed that everywhere, even when opportunities for voluntary work or service to the community are plentiful, unemployed people participate at a much lower rate than those in employment.

In practice it is the choice of only a minority of unemployed people. e should not be deceived by the energetic lobbyists for proposals similar to this who have found that in the abstract, unemployed people are prepared to contemplate community service on a large scale. Most of us are prepared in the abstract to give up sin.

Peter Stubbings.
29, Lower King's Road, Berkhamsted, Herts.

The Uruguayan election

From the Secretary, Institute of Latin American Studies.

Sir,—I was surprised that in your article on the results of the Uruguayan election (November 27) you quote an Uruguayon colonel, disputing the winning candidates' appraisal of the vote as "clean and exemplary." My surprise stems from the fact that such an appraisal is shared by all the losing candidates.

Indeed, Alberto Zumaran, defeated candidate of the Blanco Party, in a most gracious gesture, personally conceded defeat and congratulated the winner, as did Liber Seregni, leader of the left-wing coalition party, in a long and publicised telephone conversation with the winner. It seems to me that the acts of the leaders of the Parties which were placed second and third in the election should carry significantly more weight than the words of a member of Uruguay's discredited armed forces.

Furthermore, the Uruguayan electoral system, supervised by an Electoral College and not, as your correspondent reports, by a "chief electoral officer," is widely accepted to be virtually fraud-proof. Perhaps you recall that in 1980, when the armed forces were firmly entrenched in power, they submitted a proposal to a referendum, seeking to institutionalise their permanence in power. The proposal was rejected by almost 60 per cent of the electorate, rather than approved by 99.9 per cent, as is too often the case when totalitarian regimes submit proposals to the people.

(Dr) Harold Blakemore,
31, Tavistock Square, WC1.

Possible tax on pension funds

From the General Secretary, Association of Professional, Executive, Clerical and Computer Staff

Sir, — Occupational pension schemes have been built up under a long standing tax regime in which contributions and income to such funds were free of tax, and pensions were taxable in the hands of the recipients. Any scheme which involved taxing either the contributions or the income of such funds would be wholly unjust. The position is quite different from that of insurance policies under which the contributions are now liable to taxation but the benefits are not taxable. There is a clear principle that either the contributions or the benefits must not be taxed which underlines the traditional approach of the Treasury to such schemes.

The principles applying to leavers' pensions are not the same as those who reach retirement age. The correct comparison is with those who continue in employment at the particular company. Those who remain employed are generally subject to actuarial assumptions that their remuneration will increase to an average rate of 8 per cent with which is linked the normal actuarial assumption of a long term interest rate of 9 per cent. So if leavers' deferred pensions are only revalued at 3 per cent per annum they are effectively being devalued at 5 per cent per annum over the years as compared with the expectation for those who remain in employment at a particular firm throughout their career. Thus far from being excessive the requirement to uprate deferred pensions by 5 per cent per annum is modest and at present equates reasonably well with movements in the retail price index.

Such a move would by no means hurt industry in general. There has been a substantial improvement in the profitability of industry in the last two years. Moreover the actual return by pension schemes on their investments for the years 1976 to 1983 averaged 17.6 per cent in respect of interest dividends and capital appreciation. The median figure was 18.8 per cent and over that period the return has been substantially in excess of 1 per cent above the rate of escalation of wages or salaries. Funds are currently yielding good surpluses at a time of their valuations and there is no evidence that a Government requirement to revalue deferred pensions will add any additional cost of industry.

Roy A. Grantham.
22, Worple Road, SW19.

Production of wealth

From Mr C. Watkinson

Sir,—As Mr John Cherrington says (December 7) the mind boggles at the vision of massed armies of embryo economists pouring forth from our various institutes of learning. Even established economists disagree amongst themselves, and appear to be ignorant of the basic concepts of economics.

They seem to have forgotten, for example, that money is a medium of exchange. It replaces barter, the exchange of goods for goods, but represents goods. If people are unable to buy goods because they have no money, it means that they are unable to produce goods to exchange.

Economists also seem to have forgotten that the use of land is essential in order to produce anything.

Any restriction upon access to land, therefore, is a restriction upon production for exchange, hence causing over production on the other side. For example, a recent TV programme pointed out that vast areas in Brazil were privately owned, and while some were idle, others weer used to produce wealth which had to be sold to the United States because the Brazilian people were too poor to buy it, i.e., they were denied access to land.

The answer to Mr Cherrington's problem, then, is to remove the restrictions put upon access to land by high prices and rents. This can be done quite simply by governments collecting the value of land and using it for public revenue in lieu of the present clumsy and inefficient taxes with which we are burdened.

C. W. F. Watkinson.
121, Leyfield Road, Liverpool.

Defining the watchers

From Mr A. Pavelin.

Sir,—It is surprising that a perceptive critic like Christopher Dunkley appears to accept without qeustion the "TV ratings," the figures produced weekly by the organisation BARB purporting to quote the number of people, tothe nearest 10,000, who watch various TV programmes.

There are two reasons why these figures are subject to serious error. The first is the very high proportion of households now possessing video recorders. The survey method used by BARB relates only to TV sets tuned to programmes as they are broadcast; programmes recorded at home and watched later are far more likely to be late-night or day-time programmes than are thoes watched "live"

The second reason relates to the even higher proportion of homes possessing at least two TV sets. The BARB figures are based, I believe, only on the "main" set, the one in the living room rather than the bedroom. "Second" sets, almost by definition, are most likely to be tuned to "minority" programmes than are "main" sets, and the published audiences for such programmes are therefore understated. The published audiences for "majority" programmes are correspondingly overstated, because BARB rates up the number of sets in its sample by an assumed average number of viewers per household, some of whom are in fact "siphoned off" to the other set.

Alan Pavelin.
172, Leesons Hill,
Chislehurst, Kent.

FINANCIAL TIMES
Thursday December 20 1984

U.S. agrees steel pact with 7 leading exporters

By Stewart Fleming in Washington

THE WHITE HOUSE announced yesterday that it had reached an agreement with seven leading steel exporting nations which would restrict their supplies to the U.S. market in most cases for five years.

Mr Robert Lighthizer, Deputy Special Trade Representative, said that the agreements would lead to a reduction of imports of around 30 per cent from the countries covered by the new agreements. The so-called voluntary restraint agreements would limit the shares of the domestic U.S. steel market which each country could command.

In the case of Japan, the limit would be 5.8 per cent of the U.S. market, for South Korea 1.9, for Brazil 0.8, for Mexico 0.3, for Spain 0.67, for Australia 0.18 and for South Africa 0.42 per cent.

Mr Lighthizer said that, with the completion of the agreements, and with the inclusion of other agreements already reached, in particular the restraint agreement with the EEC some 75 per cent of U.S. steel imports would now be covered by trade restrictions.

Rejecting suggestions that the move was protectionist, he pointed out that international trade in steel was restricted and that for a long *time the U.S. had been an* open market to which supplies which were blocked from entering other countries had been diverted.

Last September President Ronald Reagan agreed to provide the U.S. steel industry with increased protection from imports and set a target of around 18½ per cent for the share which imports should be permitted to take in the U.S. market. This compares with an import share of around 25 per cent so far this year.

The extent to which the new agreements actually accomplish the goal for cutting imports which President Reagan set in September, and which Congress endorsed, will depend in part on what happens to supplies from other countries.

The Administration is clearly concerned that imports from countries not covered by restraints, including East European countries, might now begin to rise. Mr Lighthizer said, however, that he expected anti-dumping actions, including *possibly anti-dumping complaints* filed by the Administration itself, to reduce this danger.

U.S. Steel, the largest American steel maker, yesterday filed 28 anti-dumping complaints

There are doubts in Congress, however, about whether the action the Administration has now taken *will bring to an end the pressure* from the American steel industry for import curbs. There are predictions, made all the more plausible by the still poor performance of the steel industry, that the new year could see the beginnings of a new campaign aimed at tightening further curbs on foreign steel imports.

U.S. space defence plan 'should embrace Europe'

BY STEWART FLEMING IN WASHINGTON

THE U.S. DEFENCE Secretary, Mr Caspar Weinberger, yesterday vigorously rejected suggestions that President Reagan's "star wars" defence initiative would tend to divorce the military security of Western Europe from that of the U.S.

Claiming that a fortress America concept could not work as had been proved in two world wars, Mr Weinberger suggested that the Strategic Defence Initiative (SDI) might also be applicable to medium-range missiles aimed at Western Europe. "It is a misconception that it only applies to intercontinental missiles," he said.

He maintained, too, that it was wrong to assume that the foremost Western European leaders were against the programme which the president had outlined to develop a *system designed to destroy Soviet* nuclear missiles before they could hit their targets.

While conceding that President François Mitterrand of France had made "relatively negative" comments on the "star wars" initiative, he denied that Chancellor Helmut Kohl of West Germany or British Prime Minister Mrs Margaret *Thatcher opposed the planned* research programme.

In London Mr Mikhail Gorbachev, a senior member of the Soviet Politburo and head of a visiting delegation, underlined Moscow's concern about space weaponry and said he hoped that Mrs Thatcher would tell President Reagan of her opposition to a space arms race at a meeting on Saturday.

He also said that the Soviet Union places no preconditions on talks on nuclear arms control and disarmament.

During a meeting with Mr Neil Kinnock, leader of the British Labour Party, Mr Gorbachev specifically ruled out suggestions that the Soviet Union would seek to link talks on arms control to control of weaponry in outer space.

Mr Kinnock quoted Mr Gorbachev as saying: "We do not include the question of demilitarisation of *space as a preliminary condition.* We have no preliminary conditions whatever."

In remarks to reporters in Washington, Mr Weinberger strongly defended the SDI programme, maintaining that although the U.S. "began in the 1960's to base its entire security on the odd theory that you are only safe if you have no defence *whatsoever ... and began to abandon* our efforts to defend against nuclear attack ... the anti-ballistic missile treaty never blinded the Soviets to the need for effective defences."

In remarks reminiscent of the tougher line on U.S.-Soviet relations earlier in the Reagan Administration, Mr Weinberger stressed the errors of U.S. defence policy in assuming that the Soviet Union would curb its arms build up as a result of Stategic Arms Limitation talks (Salt). He maintained that the *Soviet Union had violated several* important Salt provisions and "almost certainly" violated the anti-ballistic missile (ABM) treaty.

"The Soviets do not share the Mutually Assured Destruction (MAD) philosophy that defences are bad" he maintained, pointing out that "the Soviet Union has spent more *on strategic defensive forces* than on strategic offensive forces" since signing the ABM treaty.

Based on what he termed a realistic view of Soviet military planning, Mr Weinberger argued that the transition to a "strategic defence" strategy implied in the "star wars" proposal would not be destabilising as critics of the SDI plan maintain.

Editorial comment, Page 10

Brussels to fine pulp producers for breaking competition laws

BY QUENTIN PEEL IN BRUSSELS

THE European Commission is set to announce fines of more than Ecu 4m ($2.88m) on some 40 of the world's leading wood pulp producers for breaking EEC competition laws.

Producers from the U.S., Canada, Sweden, Finland, Portugal and Spain are accused of operating a cartel to restrict price competition by both regional and international price-fixing.

The Commission says that they have had a "considerable impact" on price levels in the Community, affecting more than half the total wood pulp consumption in the 10 member-states.

The fines are the outcome of some two years of negotiations between the pulp producers and the Commission, during which time the producers have denied any conspiracy to fix prices but have failed to convince Brussels.

The EEC accounts for about 40 per cent of the world pulp market, and the Commission believes that the producers' system of always quoting their prices in U.S. dollars lends itself to price conspiracies. The officials want to have more prices quoted in the currency of the seller and the currency of the buyer – a demand which has acquired even greater urgency as a result of the dollar's strength.

Although the fines involved are relatively modest when spread across so many producers, the case is regarded in Brussels as critical because it confirms the strict application of EEC competition law.

Milk penalties, Page 2

Saléninvest files for bankruptcy

Continued from Page 1

Its aim is to provide an operating management for the more than 60 reefer vessels chartered by Saléninvest *vessels now in the hands of the* court-appointed liquidator, Mr Björn Edgren.

"It will mean that the creditors are not left with ships and no market," said Mr Mats Ruhne, formerly managing director of Saléninvest's reefer division and now managing director of the new company. "This can change the situation for the creditors from a total disaster."

Saléninvest has total liabilities of around SKr 5.5bn, of which some SKr 1.3bn is debt guaranteed by the Swedish state. The banks have loans to Saléninvest totalling an estimated further SKr 2.7bn.

The group's bank creditors are led by Skandinaviska Enskilda Banken, Sweden's leading bank, *which has a total involvement of* more than SKr 1.7bn.

S-E Banken has been leading the efforts to put together a rescue package, and its failure to save the group is a blow to its prestige. It said last night that it was planning a write-down of SKr 200m on its exposure. It said SKr 500m of its total exposure was secured through collateral on ships and shares. The rest was secured through state guarantees and blocked cash funds.

Saléninvest's other main creditors are Bank of America, Svensk. Handelsbanken, PKbanken, and Sparbankernas Bank, followed by a group of around 15 smaller international institutions including Bank of Tokyo, Midland Bank, Marine Midland, Hongkong & Shangbai, Paribas Asia and Chemical Bank.

Under the rescue plan proposed by Saléninvest, creditors were asked to take write-offs of more than SKr 900m with the state writing off as much as SKr 550m of the total.

The Government's final offer was *no more than SKr 250m, and even* with further concessions from the banks, there was still a shortfall of at least SKr 115m. Mr Salén said he expected the cost of the bankruptcy to the Swedish state to be at least SKr 500m, plus SKr 200m to SKr 300m for salary and pensions guarantees.

Computer staff face a shave with new bosses

By Brian Groom in London

COMPUTER staff at General Motors' Vauxhall and Bedford subsidiary in the UK are worried by the prospect of having to present a new "super clean" image.

The 300 involved are being asked to transfer to the payroll of Electronic Data Systems (EDS), a subsidiary recently acquired by GM in the U.S., and EDS company rules stipulate that:

- Men may not wear beards;
- Employees must not consume alcohol at lunchtime;
- Casual clothes must not be worn at work;
- *Employees must not discuss* their salaries with each other.

There was uproar among GM employees in the U.S. when they were asked to transfer to EDS. Now the main staff union at Vauxhall, the AUEW-Tass, is worried that its members may be subjected to restrictive conditions and that the union may lose recognition rights when the switch is made in Britain.

EDS is a fast-growing computer services group founded in the 1960s by the colourful Mr H. Ross Perot, who was trained at the Naval Academy and was reputed to run his Dallas-based company as though it were a branch of the military.

A taste of the company's style has already been given to the 375 employees of Unilever Computer Services of the UK, which was acquired by EDS earlier this month.

Ms Betsy Brower, public relations director for EDS in Europe, said that of 14 Unilever staff who had beards seven had agreed voluntarily *to shave them off.*

The company permits transition arrangements for others who refuse: they are allowed to keep their beards "under certain conditions and for a certain length of time." These are believed to involve keeping it neat.

Ms Brower said the rules were all part of *a corporate culture which* emphasised professional conduct and appearance. She could not disclose whether the rules are included in employment contracts, as Tass claims.

GM's British computer staff are being "invited" to join EDS voluntarily after individual negotiations. *The company, which does not* recognise unions to represent the rest of its 25,000 employees worldwide, is still considering whether to recognise Tass.

When EDS operated in beard-loving Iran, it showed flexibility by allowing staff to keep beards if they were neat, but those who wanted *long-term careers had eventually to* shave.

Defence plan imperils wider spending cuts

Continued from Page 1

Weinberger, has proposed for fiscal 1986, are seen as more apparent than real, mostly involving shifts in the timing of pay increases for military personnel.

At this stage therefore it seems *that President Reagan is not* prepared to give moves to cut the federal budget deficit a priority that outweighs his commitment to the vigorous defence build-up he began on taking office. Even some top members of his Administration, including the Treasury Secretary, Mr Donald Regan, have made clear that they disagree with this judgement.

One implication, however, is that the Administration will go into next year's budget battles divided and on the defensive. The fact that Mr Weinberger is not being asked to pay a higher price in the interests of fiscal austerity will encourage other Cabinet officials as well as congressional appropriations committees not to surrender large reductions.

U.S. growth rises to 2.8%

Continued from Page 1

spending, fixed investment and government spending as well as a sharp increase in net exports in the fourth quarter as factors behind its prediction of a slight recovery in the pace of the expansion.

It said it expected inflation, as measured by the GNP deflator, to rise by *2.9* per cent in the fourth quarter, compared with 3.9 per cent in the third quarter. It also reported that in the third quarter, corporate profits from current production declined 2.8 per cent compared with a 4.9 per cent rise in the second quarter.

THE LEX COLUMN

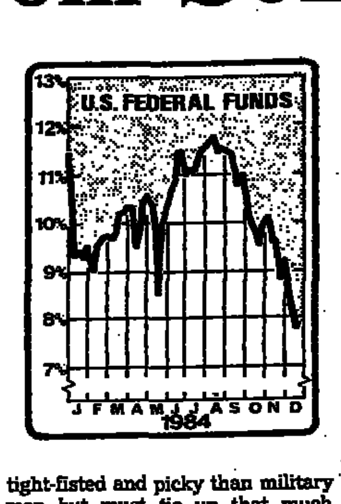
Fast forward from Sony

Sony's net income for *fiscal 1984* may have increased by 140 per cent to Y71bn, but it was from such a low base that American investors were left unimpressed. On the New York Stock Exchange, where trading volume in Sony shares rivals Tokyo, the price slipped $⅝ to $15⅛ by early afternoon.

Sony's less-than-magnetic performance in recent years has to some extent been reversed – yesterday's results are a touch better in money terms than its record year in 1980. But the profit growth rate was very much a one-off affair: for the coming year, the company expects increases in sales of around 10 per cent. And profits may not even rise that fast, given the heavy price competition in most of Sony's markets.

The group is determined not to abandon the Betamax video format, even though VHS is now far more popular. And unlike the other major Betamax players, it is equally determined not to lose face by making VHS machines, too. Instead, *Sony looks as if it will make a leap* in the dark – or at least the dusk – by marketing an 8mm VCR. The advantage of these machines is their compactness. Since the trend in electronics seems to be towards smaller units and since Sony has proved its skill at making pint-sized products, it could be on to a winner.

Other promising areas are compact disc players, which Sony claims are on the verge of taking off, and the 3½-inch floppy disks, which are now close to becoming an industry standard. But with so much capital expenditure at stake, Sony will need to keep new – and successful – products flowing in to avoid falling back into the trough of the last two years.



Westland

Westland has taken off at last from the profits' plateau it has occupied since 1980. Unfortunately, it has not so much flown as plummeted, crashing through even the City of London's modest expectation for the year and digging a large hole at the attributable level. Even yesterday's good-natured market was upset by the 36 per cent drop in pre-tax profits to £16.7m and by an ugly write-down on civil helicopter inventories; the share price shed 11p to close at 125p.

Westland has had a run of ill luck but *its Westland 30 civil helicopter* looks positively jinxed. The group is finding civil customers no less tight-fisted and picky than military men but must tie up that much more in inventory to satisfy their delivery times. With a decent Indian contract maddeningly just out of grasp – at least until after the election – Westland has felt obliged to wipe £14m off the stock value of 20 aircraft. Add to this a £5.7m provision to escape from a Californian air-taxi operator which sometimes charged road-taxi fares, and Westland is left with a maintained dividend paid out of reserves.

The outlook is not very rosy for the short term, or at least until the EH 101 venture with Agusta enters service more or less unopposed in, at best, 1990. Normalair-Garrett is trading on good margins, but Westland ultimately *depends on selling* not very new Lynx and Sea King helicopters to generate cash to cover heavy development and research costs. It would be optimistic to hope that the Air Chiefs, in the present state of the RAF budget, will immediately make up their minds to order a military version of the Westland 30 or that the group will very soon reach a satisfactory settlement over the cancelled contract in Egypt. Meanwhile, the balance sheet has deteriorated quite sharply, with net borrowings now up to over 40 per cent of shareholders' funds.

U.S. bonds

The New York debt markets hardly know which way to turn any longer. The Federal Reserve's extremely relaxed approach to the fall in its funds rate over the past week had encouraged the notion that the Fed was party to inside information about the stalling of the U.S. economy. In the light of yesterday's flash estimate of fourth-quarter GNP, that explanation now looks a little far-fetched.

In practice, the Fed may have been trying to avoid giving a signal one way or another. The level of non-borrowed reserves, after all, is roughly the same as it was six months ago, so the Fed may just have been allowing the effect of weaker credit demands to show through in lower short-term interest rates. The debt markets, however, are *unlikely to let the Fed off* the hook quite so easily. A cut in the discount rate now looks overdue and could follow the publication of today's U.S. money supply figures.

If the Fed is prepared to confirm the recent drop in rates with a discount rate cut of a full percentage point, the debt markets will breathe more easily again. But, with both GNP and the money supply showing reasonable growth at present, it might be tempted to settle for a half-point cut.

On the basis of the recent inflation figures – which point to annual growth in the 3 to 4 per cent area – there may be little point in trying to halt the slide in rates. So long as the strong dollar is keeping down import prices, there seems little reason why the U.S. economy should not enjoy the best of most worlds. A key question for both the Fed and the Treasury is what impact a further fall in short-term rates would have on the dollar's value. But, after the bizarre foreign-exchange movements of the past few days, it may have no more of an answer to that than anyone else.

Hanson Trust

The only thing to have shrunk at Hanson Trust in the past year is the report and accounts, which has been reduced from the standard format to something precisely the size of the National Geographic Magazine. But there is nothing pocket-sized about the numbers inside. Capital employed has almost doubled in the course of the year – along with just about everything else – and now stands at an impressive £1.4bn.

But the most intriguing feature of the accounts is Hanson's flow of funds statements, which gives some clue as to how the group achieves such heady returns. Capital spending on established businesses was £49.5m during the year, only £5m ahead of depreciation, while working capital was reduced by £23.9m despite a significant increase in sales. The upshot was that before acquisitions Hanson generated £140m of net cash, almost enough to buy Powell Duffryn.

EEC agrees funds for technology research

BY QUENTIN PEEL IN BRUSSELS

A SHARPLY reduced package of European research programmes, including bio-technology, fusion, radio-active waste disposal, and reactor safety, was given the go-ahead yesterday by EEC science ministers.

The combination of programmes will now be financed over four to five years at a cost of Ecu 1.225bn ($871.7m), compared with an original request by the European Commission for three times as much, Ecu 3.75bn.

The ministers yesterday agreed on cuts in all the different fields to prune the package down to the available finance, despite their public commitments to maintain "scientific and technical activities ... as high priorities for the Community."

They also confirmed finance of Ecu 750m for the Esprit programme of research into information technology up to 1988 and Ecu 700m for the Community's joint research centres until 1987.

One key programme investigating the safety of nuclear reactors will now simply be taken into the work of the joint research centres. The fusion programme, including the JET programme at Culham, Oxfordshire, will receive Ecu 690m over five years, requiring an extension of the whole programme over a longer period.

Studies on radiation protection and the disposal of radio-active waste have been put into one joint programme, with Ecu 120m provided for five years, while basic research into industrial technologies *will receive Ecu 125m over four* years and bio-technology Ecu 55m over five years.

Britain eases rules on export insurance

BY CHRISTIAN TYLER, TRADE EDITOR, IN LONDON

GOVERNMENT insurance of British exports to debt-laden countries is to be widened to help companies hold on to their business in difficult markets, the UK parliament was told yesterday.

Mr Paul Channon, Trade Minister, told MPs that Mexico and Brazil would be the first countries to benefit from a relaxation of the *rules operated by the Export Cred*its Guarantee Department (ECGD).

The ECGD will resume cover more quickly than before on countries that have rescheduled trade debts to British suppliers insured by the department.

Mr Channon stressed, however, that the relaxation would apply only to goods and services that "contribute to the economic recovery of the debtor country." It would not apply to "prestige projects" that did nothing to help the debtor's balance of payments problems.

Normally, the ECGD stops cover as soon as a country announces it is seeking to reschedule ECGD-insured debts and may stay off cover for several years until the deparment is satisfied the debtor nation is meeting its obligations.

Yesterday's *announcement* means that some medium-term private-sector contracts in Mexico can again be insured as well as some medium-term business with both public and private sectors in Brazil.

Mr Channon's decision fulfils a pledge made by the Chancellor of the Exchequer at the last annual meeting of the International Monetary Fund. It may also mollify some industrialists

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	12	54	Dubrovnik	F	15	59	Malaga	S	16	61	Salzburg	F	3	37
Akrotiri	S	17	63	Faro	S	15	59	Malta	F	19	64	Seoul	S	1	34
Algiers	—	—	—	Florence	R	8	46	Manila	S	32	90	Singapore	T	26	79
Amsterdam	R	6	43	Frankfurt	C	3	37	Miami	C	24	75	Stockholm	S	2	36
Athens	C	16	61	Funchal	C	19	66	Milan	C	8	46	Strasbourg	F	4	39
Bahrain	F	17	63	Geneva	F	4	39	Moscow	Sn	-5	23	Sydney	S	25	77
Bangkok	S	34	93	Gibraltar	C	16	61	Munich	Sn	1	34	Taipei	F	19	66
Barcelona	S	10	50	Guernsey	R	11	52	Nairobi	S	24	75	Tangier	—	—	—
Beirut	S	19	66	Helsinki	C	0	32	Naples	T	13	55	Tehran	—	—	—
Belgrade	S	13	55	H Kong	C	17	63	New Delhi	S	18	64	Tel Aviv	S	22	72
Berlin	Fg	0	32	Innsbruck	Sn	1	34	New York	C	17	63	Tenerife	—	—	—
Biarritz	S	12	54	Inverness	S	7	45	Nice	S	13	55	Tokyo	F	10	50
Blackpool	R	9	48	Istanbul	F	12	54	Oporto	S	11	52	Toronto	C	4	39
Bordeaux	F	9	48	Jersey	R	10	50	Oslo	S	-3	27	Tunis	F	17	63
Brussels	R	5	41	Jo'burg	S	27	81	Paris	C	7	45	Valencia	S	13	55
Budapest	Fg	3	37	Las Palmas	F	19	66	Prague	C	1	34	Venice	R	9	48
B Aires	F	21	70	Lima	S	23	73	Reykjavik	Sn	-1	30	Vienna	C	5	41
Cairo	C	21	70	Lisbon	S	11	52	Rio de J'o	C	33	91	Warsaw	C	1	34
Cape Town	F	23	73	Locarno	S	9	48	Rome	F	16	61	Zurich	S	4	39
Caracas	C	26	79	London	F	11	52								
Casablanca	—	—	—	Los Angeles	C	13	55								
Copenhagen	C	3	37	Luxembourg	Sn	0	32								
Corfu	F	16	61	Madrid	S	7	45								
Dublin	C	10	50	Majorca	S	14	57								

Readings at mid day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

'New era' for H K

Continued from Page 1

Mathews, head of the British Trade Council, that it was likely to reach £800m next year.

The huge boost in relations between the two countries was confirmed by Queen Elizabeth's acceptance in principle to visit China in the second half of 1986 and Zhao's decision to visit Britain next year, probably in June.

The Hong Kong agreement is expected to be legally ratified by the middle of next year. A special joint liaison group will begin work early in the new year overseeing the 13-year transfer of power.

Zhao said that China would begin drafting next year the basic law for Hong Kong after 1997 and it would be promulgated no later than 1990.

He said the views of the people of Hong Kong "will be solicited" during drafting of the basic law.

- During her round of meetings with China's four most senior leaders, Mrs Thatcher disclosed that Britain had worked to meet China's ultimatum that agreement on Hong Kong should be reached by last September.

Although British diplomats had insisted that there was no deadline, Mrs Thatcher confirmed that Britain had nervously accepted the challenge.

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FINANCIAL TIMES SURVEY

Switzerland

BANKING, FINANCE AND INVESTMENT

Swiss bankers have had two successive good years. Profits are high and capital structures strong. But adaptability is needed to keep pace with a rapidly changing financial world

Inside the control room of the computer centre of Switzerland's largest bank, the Union Bank of Switzerland

CONTENTS

Coping with a double squeeze

STARK RUMOURS of the impending demise of Switzerland as an international financial centre are greatly exaggerated. Bank profits have boomed this year and last, yet it has become the fashion among some Swiss bankers to spread gloom about the future of their business.

BY W. L. LUETKENS

They seem to have been cheered up only temporarily when, in May, the Swiss electorate resoundingly rejected a constitutional amendment that would have gravely impaired the traditional form of Swiss banking secrecy.

Herr Fritz Leutwiler, President of the Swiss National Bank who is giving up the job at the end of this year, said with a touch of mischief at his farewell press conference that all was not yet lost for Switzerland as a financial centre. Anyway, bankers might be able to help themselves by lowering their fees and by loosening up existing loan syndicates.

What are the facts? Unquestionably Zurich has lost ground in recent years. Its share of a growing international financial cake has become smaller as London and New York have moved increasingly towards deregulation and as new markets have sprung up, principally in Asia.

In Zurich you can hear of a double squeeze on the Swiss: while others deregulate, Swiss bankers have had to contend with new burdens imposed for prudential, fiscal and other reasons.

More fundamentally, Swiss banks have become exposed, perhaps belatedly but none the less forcibly, to structural changes in world banking. The growing importance of institutional investors is chipping away at some of the strong points of Swiss bankers.

Portfolio management on behalf of wealthy and not-so-wealthy individuals plays a diminishing role in business overall. Moreover, the much vaunted (and much attacked) Swiss banking secrecy is less important to corporate treasurers than to private investors.

What has been happening to the international side of the business of the Swiss has its parallel at home. Switzerland has one of thetightest networks of bank branches in the whole world, giving access to a good flow of primary deposits. Though this access is a source of strength, the era of especially cheap primary deposits seems to be over. High real interest rates have caused depositors to look more closely at the returns available.

The trend will be reinforced by the compulsory introduction of occupational pension schemes in addition to the existing state insurance schemes, beginning in 1985. Funds that normally went straight to the banks from employed persons will in future come via pension funds in a stronger bargaining position than the individual.

In the long run some compensation, at least, will come to the banks by more openings for portfolio management on behalf of the funds.

Heart searching about the double squeeze became quite passionate last November when the Union Bank of Switzerland, announced that it had come to an agreement to take a stake in the London stockbroker, Phillips and Drew, which would be expanded to full control once London regulations permitted.

Two reasons

Of this transaction, Herr Robert Studer, executive vice-president of Union Bank, says that two reasons were given at the time: some of the negative aspects of Zurich and the unique changes offered by the structural changes in London (meaning increasing deregulation). The Press had picked on the first of these reasons, but Herr Studer says, Switzerland remains a good financial centre.

To that there must be added that the typical Swiss bank is a universal bank offering not only narrowly defined banking services, but merchant banking, underwriting, portfolio management and brokerage.

In a world where other countries are moving towards similar full service banking, the Swiss feel that they stand to profit. Herr Studer, for instance, says that Phillips and Drew will gain from Union Bank experience.

The bank, in its turn, will gain not only access to the London market, but a highly skilled staff at Phillips and Drew's. Though the Swiss schools produce a good supply of literate and numerate young people, it is not easy to bring on quickly a team of professional market players.

Union Bank's move, besides, fits into a pattern long-established in Swiss banking. Because the Swiss domestic market is narrow, Swiss banks competing in world markets are under greater pressure than many others to seek business abroad.

Foreign business accounts for something aroundhalf the business of the Big Three Banks (Credit Suisse, Swiss Bank Corporation and Union Bank of Switzerland). Because prudential risks in the world have been rising bankers everywhere have striven to increase their "off balance sheet" business where they provide services rather than lending money at risk.

This trend has been encouraged by the practice of the regulatory authority, the Swiss Banking Commission, which makes especially high demands on capital ratios by international standards and assesses them on the strength of a bank's consolidated world wide accounts.

Requirements vary by nature of asset but average out at 7-8 per cent of assets, roughly equivalent to a ratio of 1:14 or 1:13. Initially these requirements were not always popular, but since the eruption of the world debt crisis they have come to be seen as a source of strength. As the accompanying table shows, the Swiss banking system has overfulfilled the demands made by the Banking Commission.

Capitalisation of Swiss banks

(SwFr m at December 31 1983)

	Big Five*	All banks
Paid-up equity	6,168.0	15,860.1
Capital callable from shareholders of co-operative banks	—	1,162.3
Guarantees of local authorities for district savings banks	—	94.0
Open reserves	11,469.0	20,400.8
Secret reserves†	3,980.6	6,027.4
Subordinate debt	1,872.7	2,227.0
Undistributed profits carried forward	41.3	226.4
Total capitalisation	23,471.6	45,998.0
Minimum capitalisation required by regulatory authority	21,892.7	38,788.8

* Bank Leu, Credit Suisse, Swiss Bank Corporation, Swiss Volksbank, Union Bank of Switzerland.
† Reserves disclosed to regulatory authority but not published by individual banks.

Source: Swiss National Bank.

Specific complaints of the banking community include recent increases of stamp duty and the extension of turnover tax to physical transactions in gold. Stamp duty is relatively low, the maximum rate being 0.3 per cent (compared with 1 per cent in London), but it is charged on all transactions in securities, including offshore deals booked in Switzerland and deals in short term paper. The latter fact is blamed for there being no developed money market in Zurich.

Stamp duty as well as turnover tax on gold can be, and often is, avoided by moving the transaction to an affiliate company abroad, say in Luxembourg. Bankers argue that not they, as corporate bodies, but the domestic industry as a provider of jobs is the real victim.

"It is our interest to do business here—not least for reasons of patriotism," says Mr Georges Streichenberg, General Manager of Swiss Bank Corporation.

The bankers have not avoided criticism that their own commissions are sufficiently high to drive business elsewhere. The matter is under discussion in the Swiss Bankers' Association and will eventually lead to a revised commission structure favouring the larger deal.

Criticism has also come that the Zurich market has been left behind with innovations such as the introduction of a market for financial futures and share options.

The betting is that such a market will open by the end of next year, provided that taxation problems can be sorted out. As the law stands operators might become subject to a withholding tax analogous to that levied on lottery prizes.

Criticism of the commission structure and of the slow pace with which new products are offered to clients has come from within the banking community itself, recently from Herr Nicolas Baer, president of the administrative council of Bank Julius Baer.

Bankers have also been attacked for their alleged failure to produce new institutions to provide venture capital for Swiss industrial innovators. A plan submitted by Credit Suisse for a co-operative venture of the banks to lend at long-term bond rates to enterprises insufficiently strong to tap the bond markets themselves seems to be still born.

Jealousies

Jealousies in the industry appear to be one reason, but the objection is also made that such an institution would always be landed with the poor risks while banks would keep their strong clients.

The argument about venture capital continues, but Dr Rudolf Lienert, Executive Vice President of Schweizerische Volksbank, maintains that no genuine innovator need lack for money. "If the product is right and a market opening exists, the financing problem can be solved easily."

On balance it would seem that, true to their reputation for prudence, the Swiss have moved slowly. It has cost them ground in the international race: it may also have saved them some disappointments. The wonder is not really that they have lost market share: the real wonder is that they have kept up as well as they have from so narrow a home base.

Another good year forecast for the Big Five

The performance

W. L. LUETKENS

THE BIG Swiss banks expect to match or even improve upon last year's record results during 1984. Though the interest cycle has worked against them, volumes are up steeply and commission income—an increasingly important element in Swiss bank earnings—is still rising.

After three quarters of the current year, the Union Bank of Switzerland reported that the balance sheet had increased by 10.5 per cent since January 1 and forecast a "good result" for the year as a whole.

Swiss Bank Corporation reported an increase of the balance sheet total by 10 per cent and income above that of January-September 1983; and Credit Suisse, third of the Big Three, said that the balance sheet had increased by 10.9 per cent and that gross income should at least match last year's "excellent result."

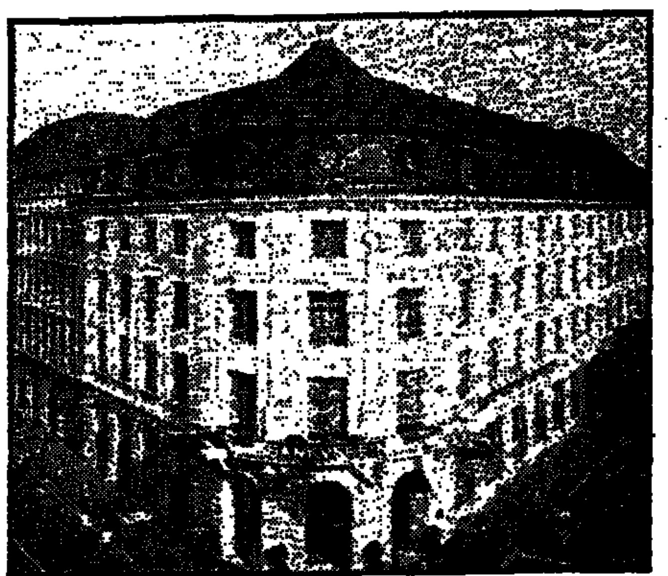
That reference to gross income contains a coded warning. The big Swiss banks, like banks elsewhere, will have to add to the provisions they have already made against bad debts and especially against Latin American debt.

As discussed in another article, the rise of the U.S. dollar has automatically increased the Swiss banks' exposure to Latin America. Altogether provisions against exposure to problem countries may match or even rise above those made in 1983.

The rise of the dollar has also inflated balance sheets which are, of course, drawn up in Swiss currency. International business accounts for something around half the balance sheets of the Big Three Swiss banks. The rise of the dollar explains about half the increase in volumes registered this year.

Earnings both this year and last have benefited from generally strong equity markets and from the general rush into dollar securities, both of which raised commission income. Since securities business and portfolio management always have been relatively important in the structure of Swiss banks, both investment trends have contributed greatly to income.

Dr Rudolf Lienert, Executive Vice - President of Schweizerische Volksbank, fourth of the so-called Big Five banks, says the big question for 1985 is whether income from security dealings can be maintained. Income from precious metals dealings, another mainstay of banking in Switzerland, might improve after a bad spell, if interest rates should continue to decline.



The handsome edifice of the Swiss Bank Corporation in Basle in Basle.

Because Swiss law permits the accumulation of so-called silent or secret reserves, the profit and loss accounts of Swiss banks are of limited value in assessing performance. The net profit shown is tailored to fit the amount it is intended to distribute to shareholders.

Controversial

Bank analysts attempted to penetrate the murk a few years ago though the results of their labours are controversial. Not all of the Big Three, which are the main potential investment vehicles for foreign shareholders, have co-operated with these efforts.

The analytical method adopted by Bank Vontobel of Zurich boils down to an attempt, in co-operation with the bank to be studied, to arrive at a factor by which the official profits figure ought to be multiplied in order to arrive at the true profit. This factor is not recalculated for every year but is applied over a period in order to reduce volatility.

The factor is more than two in the case of the two biggest banks, the Union Bank of Switzerland and Swiss Bank Corporation.

Bank Vontobel's venture into this field of analysis caused some eyebrows to be raised in the traditionally conservative milieu of Bahnhofstrasse, the Zurich banking quarter. Bankers who collaborated in the scrutiny must have had strong reasons for doing to.

An initial reluctance may have been overcome by two important changes in the environment. The regulatory authority in Berne, the Swiss Banking Commission, some time ago tightened its demands for capital adequacy, so that demands upon shareholders to supply extra equity are likely to become more frequent. Moreover in a period of high real interest rates equity capital is, relatively speaking, less expensive to service than in a period when interest rates are low.

Another attempt to assess how good the Swiss banks really are was made in September by Moody's, the New York credit rating agency. In a comparison with other chief banking nations, the Swiss came top for capitalisation and also for profitability expressed as return on assets.

The reasons are in part historical: the traditional conservatism of Swiss bankers, coupled with the prolonged record of economic stability in their country.

One must add the high element of off-balance sheet services in the business of the main Swiss banks. Their precise extent is hard to estimate since, for example, figures for the income from security business includes not only brokerage fees but also profits taken upon sale of securities. But two figures do shed some light.

Fiduciary funds administered by Swiss banks at the end of 1983 totalled SwFr 180bn (about £59bn) compared with aggregate balance-sheet totals for the system of SwFr 496bn. Commission income of the Big Three banks, which is something of a barometer for the development of off-balance sheet business, from about SwFr 900m in 1974 to over SwFr 2bn in 1984.

Controversial though the practice is in Anglo-Saxon countries, the accumulation of silent reserves has had a beneficial effect not only upon the capital structure but eventually also on profitability: reserves represent cheap money to the bank.

Secret reserves

According to statistics of the Swiss National Bank based on figures that are not given to the public by individual banks, the reserves of the Big Five banks at the end of 1983 consisted of SwFr 11.5bn of open and SwFr 4bn in secret reserves.

There have been times when this hoard has had to be drawn on. Several banks, including some heavyweights, have occasionally taken heavy losses because of miscalculations or fraud. The latest instance concerns not a Swiss bank proper, but the Soviet-owned Wozchod Handelsbank in Zurich. In those cases involving large Swiss banks the damage has been repaired by drawing on secret reserves.

It is a practice regarded as helpful, but lately the Banking Commission has begun to insist that in case of large and prolonged drawings the fact should be disclosed in order not to mislead the public. This practice of the Commission is likely soon to be written into regulatory law. Even the most time-hallowed of practices eventually give way to change.

MOODY'S ESTIMATES FOR MAJOR BANKING SYSTEMS

	Average adjusted return on assets %	Average adjusted equity/assets %
Switzerland	0.45	6.50
Canada	0.35	3.45
Germany	0.35	3.60
U.S.	0.35	3.70
Britain	0.28	2.35
France	0.21	1.20
Japan	0.17	3.65

Adjustments made for conformity with U.S. accounting practices. Earnings adjusted to assume 6 per cent yield from Latin American loans unless adequate provision already made.

Prudence pays dividends

Risk provisions

W. L. LUETKENS

THE PROVERBIAL conservatism of Swiss bankers has stood them in good stead during the crisis of the world financial system caused by Third World debt.

Capital adequacy in the Swiss banking sytem is probably sounder than almost anywhere else in the world. Complaints were common a few years ago, when the regulatory body, the Swiss Banking Commission, jacked up its required capital ratios. Little has been heard of these complaints of late.

Those ratios apart, the Commission has called for high provisions to be made with respect to the banks' exposure to a list of 60 problem or potential problem countries. No precise figure is given for the provisions required since the nature of the risks varies. In practice provisions equal to 20 per cent of this particular exposure are likely to satisfy the Commission.

By and large the banks appear to have more than satisfied that criterion. In some minor cases, said to involve mainly foreign-owned banks, the Commission has asked for new equity to be provided or for increased provisions to be made in the profit and loss account for 1983.

Tailored

The accounts used are the unpublished accounts made available to the Commission and to the tax collector. Published accounts are generally tailored to suit the proposed dividend distribution and do not fully reflect the course of business.

On the basis of an estimated total Swiss exposure of SwFr 23bn (about £7.6bn) at the end of 1982, total provisions of 20 per cent for problem countries must total at least SwFr 4.6bn.

It is estimated that the Big Three banks (Credit Suisse, Swiss Bank Corporation and Union Bank of Switzerland)—which are principally involved —between them provided about SwFr 1bn against risks in problem countries during 1983. This year the amount may be as large or even greater, because new money extended largely as a result of rescheduling may add 7-8 per cent to total exposure and, in terms of Swiss currency, the steep rise of the U.S. dollar may add another 20 per cent.

Big though these sums are, it is useful to compare them with the capital base of the Swiss banks. A publication of the Swiss National Bank puts the banking system's equity plus reserves at the end of 1983 at SwFr 38.8bn, of which SwFr 23.4bn was the capital of the Big Five (Big Three plus Bank Leu and Schweizerische Volksbank). The amounts include the secret reserves not shown in the published accounts of individual banks.

This fairly comfortable position of the Swiss is due not only to prudence and the pressures exerted by the regulatory authority. It owes much to a tax collector who is willing to recognise provisions as deductible provided they can be justified on prudential grounds.

Swiss bankers make their provisions from pre-tax revenue. Competitors in some other countries make theirs from taxed profits. Their tax write off occurs only once the money is definitely lost.

The Latin American debacle has encouraged the bigger Swiss banks to redouble their efforts in other, they hope less risky, foreign markets. The Swiss market itself is fully mature and offers only limited chances of growth. So pressure is great to go out after foreign business.

Affiliates

The general direction is toward member countries of the Organisation for Economic Development Co-operation and especially towards New York and London. Setting up affiliates there helps to contain exchange risks by refinancing locally the activities in those markets.

That is not the whole story, however. Herr Karl Janjoeri, Executive Vice-President of the Union Bank of Switzerland, says: "In regions like Latin America, too, we shall not simply stand aside. As a big Swiss bank we feel under an obligation. Given the worldwide links of our economy and given the need for Swiss industry to export, we have to compete there, too."

In any case, Swiss domestic business also has its risks, and their volume has increased greatly under the influence of the world recession around the turn of the decade. The repeated reorganisations of the biggest watchmaking concerns, now merged into Asuag/SSIH, has been costly.

In its annual report for 1983, Swiss Bank Corporation says that it had standstill agreements with Asuag at the end of that year covering SwFr 158m. The report says that, since 1976, the bank had contributed SwFr 330m towards the reorganisation of troubled Swiss businesses, mainly by converting debt into equity and by waiving claims. The amount does not include the standstill agreements with Asuag.

Union Bank of Switzerland has published similar data for the six years up to September 30 last. It lists contributions totalling SwFr 537m and standstill agreements covering SwFr 292m on that date.

The amounts and problems involved are sizeable. They increased greatly during the recent recession which took its toll especially of the engineering and construction industries. But the real headaches are caused by the problem countries abroad.

Two of the foreign banks operating in Geneva- the Hong Kong Bank and the British Bank of the Middle East

Expanding role in the system

Foreign banks

JOHN WICKS

SWISS BANKERS have recently been levelling a lot of criticism at the conditions under which the country's financial centre has to operate.

Switzerland is fast losing ground to competitors as a turntable for international funds, they claim. Though there is some justification for these complaints, foreign banks continue to set up new activities in Zurich and Geneva.

The past year has, in fact, seen something of a run in this sector. The Association of Foreign Banks in Switzerland, whose membership totalled 113 banks and 69 finance companies at the end of 1983, will probably expand by about 15 members this year.

By mid-November, four new banks had joined, as well as seven representative offices—five of them of Japanese banks—and six finance companies.

Foreign banks have long played an important role in the Swiss banking system, even though they are engaged in little domestic business. Within the SwFr 657bn ($290m) balance-sheet total for all Swiss-based banks and finance companies as of the end of last year, rather over 14 per cent was accounted for by foreign institutions.

The actual significance is greater than this, since the foreign-owned entities specialise in non-credit activties which do not figure in the asets total. Fiduciary business alone last year totalled over SwFr 90bn and was thus almost as high as the combined balance-sheet sum.

The foregin-bank sector has been one of the most expansive in the Swiss financial centre over the past few years. Since the mid-1970s the number of foreign banks present in the country has risen from 99 to 113, while that of the so-called 'bank-type finance companies" jumped from only 19 to 69; the finance companies are active primarily in the security-issue and portfolio-management fields. These figures, which apply to the end of 1983, have increased since.

It seems that the growth in the foreign banking community will continue. The past few months have seen a rush of Japanese banks and securities firms to Switzerland following the lifting of a long-standing reciprocity agreement between the two countries; this had limited to three the number of Swiss banks in Japan and vice-versa. As the seventh of these new Japanese operations, Mitsui Trust Finanz (Schweiz) was opened in Zurich in November.

At the same time, the German banks are beginning to enter the country. For many years, bankers in Switzerland and the Federal Republic had an amicable arrangement to keep out of one another's countries.

The Big Three Germans are now all present in Switzerland since the November announcement that Commerzbank (Schweiz) would begin operations next year. As yet, there has been no corresponding move into Germany by the leading Swiss banks.

On July 1, the Swiss authorities introduced a number of new regulations covering the activities of foreign banks' branches and representative offices. These are aimed particularly at guaranteeing they are staffed by qualified persons and subject to proper control and management. Foreign banks' Swiss branches also have to keep 10 per cent of their assets in Switzerland as a means of minimum creditor protection.

There may be a further tightening of restrictions on the way. Speaking to the Association of Swiss Holding and Finance Companies on November 23, National Bank director Dr Markus Lusser drew attention to the preference of many foreigners for a "para-bank" in the form of a bank-type finance company.

This meant, he said, that for the price of not accepting clients' funds it was possible to avoid the Banking Act requirements on operations and equity ratios, as well as any reciprocity restrictions which would apply to banks.

Concessioning

Dr Lusser went on to propose an effective concessioning system for these finance companies—similar to that for banks—and also a "minimum capital adequate for business volume" and bank-type criteria for personnel qualifications and organisation. Foreign-controlled finance companies of this kind should also be subject to reciprocity rules, he said, adding that this would give the Swiss a better bargaining position in Japan.

As far as the banking "environment" is concerned, Switzerland's foreign bankers believe the planned revision of the Banking Act will have generally positive effects. Nevertheless, they join their Swiss colleagues in expressing some concern at the local fiscal situation.

"The direct taxes, such as those on capital and profits, are reasonable," Citibank's Jean-Pierre Cuoni told an Association press conference earlier this year. "Indirect taxation is much less favourable. Compared with foreign at-source taxes, the nature of the Swiss withholding tax and stamp-duty mean not only a considerable competitive disadvantage but in many cases rule out competition at all. No foreign financial centre has an at-source tax burden comparable with that of Switzerland."

Specifically, the Association would like to see an adjustment to the stamp duty to permit the build-up of the Swiss money market.

This would allow some of the short-term funds now flowing into fiduciary accounts to be invested in money-market papers.

In fact, this wish stands some chance of being realised; the National Bank itself is pressing for a favouring of short-term business by a change in the stamp duty so as to enable the issue of such instruments as certificates of deposit (CDs) and bankers' acceptances.

The secrets of bank secrecy

The legend

W. L. LUETKENS

ASK A SWISS banker about the strong points of Zurich as an international banking centre and banking secrecy will probably come low on the list. Ask an outsider, and secrecy may come first.

In their different ways, both have a point. Banking secrecy in its highly developed Swiss form, has become an international legend. Without doubt it has helped to attract funds to Switzerland, though estimates of the amounts involved differ so widely as to be worthless.

On the other side of the argument, by its very nature secrecy is more likely to interest private than corporate investors. The latter usually have to lay their books open to inspection in their home countries. But the wealthy private individual, important though he is, is steadily losing importance.

The growth of the business of finance is coming from corporate and other institutional investors. So our Swiss banker has a reason for playing down the importance of bank secrecy. Of course he has other reasons for reticence: secrecy is not served by talking about it too much.

A phase of recent heated debate of the matter came to an end on May 20 last, when the Swiss electorate threw out proposals made by the Left radically to modify the law governing bank secrecy.

The proposal put to the popular vote would have empowered and even obliged the Swiss authorities to requisition information about bank accounts where there was reason to suppose that Swiss or foreign taxes had been evaded or foreign exchange controls had been breached.

The practices then upheld by the voters can be summarised as follows:

1—Wilful or negligent disclosure of information about a bank client's affairs is punishable under criminal law, whereas elsewhere the remedy usually is in civil law only.

2—The judicial authorities may requisition information from banks onlyi n cases involving inheritance, bankruptcy and offces against the criminal law.

3—*Tax evasion is not a criminal* offence in Switzerland unless supported by forgery, so that simple tax evasion is no sufficient reason for requisitioning information. Foreign states cannot invoke agreements for mutual judicial assitance in cases of simple tax evasion—even though it may be a criminal offen under their laws.

4—For the same reason foreign states cannot invoke judicial assistance from the Swiss to catch offenders against exchange controls. Switzerland has no such controls and hence Swiss criminal law gives no handle for proceeding against offenders.

The reality, however, is a bit less simple than those points might suggest. On the one hand, a series of laws and codes of practice have been adopted, often under foreign and especially U.S. pressure, to prevent flagrant abuses.

On the other hand, it needs to be said that the codes apply only to banks and those finance companies which publicly solicit funds, thus subjecting them to bank legislation.

A plea

Many other finance companies have not adhered to the codes and nor has an army of lawyers in the *fiduciary* business. This is one reason why the National Bank has *pleaded the case for closer* regulation of near-banks though even such regulation would not cover the lawyers.

The chief legal safeguard against abuses is the availability of international judicial aid in criminal cases. Originally devised to prevent the ill-gotten gains of organised crime being laundered through Switzerland, the system has been applied to tax offenders.

Since only tax fraud, not simple evasion, can provide a reason to intervene, the Swiss Government has promulgated a regulation construing fraud from the existence of a tissue of lies, without the need to prove forgery. The validity of this regulation has not been tested in the federal court of last instance.

Legislation is on the way to ban insider trading. The absence of such a ban in Swiss law has been an endless source of conflict with the U.S. which suspects that Americans use Swiss banks to transact business which would be unlawful under U.S. insider legislation.

Pending passage of the Bill which is to be tabled in the Swiss parliament next spring, Swiss bankers have adopted the practice of asking customers for a special waiver. It allows them *to divulge certain* information to the U.S. authorities, provided an *ad hoc* committee o Swiss lawyers finds that there is a case to answer.

An agreement between Swiss banks and the National Bank imposes further rules designed to prevent abuses of bank secrecy. Enforceable by penalties of up to SwFr 10m (about £3.3m), the agreement forbids Swiss banks "actively" to help with the evasion of foreign exchange controls. Such "active" assistance has also been declared to be incompatible with proper professional conduct by the Swiss Banking Commission.

The agreement obliges bankers to satisfy themselves as to the beneficial owner of funds as well as that of the contractual partner who actually brings the money. This is intended to catch the lawyer or trustee acting as a front man only. There are legitimate doubts about how watertight that safeguard is. It is intended to incorporate the substance of this agreement into an amendment of banking legislation.

Impossible

This has led to a dispute about the term "beneficial owner." The Bankers' Association argues that its members will be put into an impossible position if the law states that besides the immediate contractual partner they have clients at one remove.

The Marc Rich affair in which the U.S. authorities prosecuted a Swiss-based commodity dealer for alleged tax evasion was not, strictly speaking, a matter of banking secrecy. What was involved was the refusal of the Swiss authorities to assist with the extra-territorial application of U.S. law. A compromise has been reached since the case in the U.S. was settled out of court by plea bargaining.

A meeting between U.S. and Swiss officials next March is intended to consider what can be done about latent conflicts between international judicial aid and a country's refusal to submit to the extra-territorial jurisdiction of another state.

The talks are likely to be sticky since the U.S. has adopted a maximalist position based on the concept of "waiver by conduct." Put simply, that assumes that every individual or corporation dealing on U.S. markets knows that operators must lay open their business to the U.S. authorities and hence has automatically granted a waiver allowing the disclosure of information.

This entire web of secrecy law and of provisions against its abuse is the product of a clash between deeply seated attitudes in Swiss society and the need to adjust to changing circumstances in the outside world. Privacy and the right to keep the state out of one's personal affairs rank *high* on the traditional scale of values.

On the other hand, the internationalisation of financial markets (and of crime) have laid the system open to abuse in a way not foreseen when Swiss attitudes were formed. Dr Markus Lusser, a member of the Governing Board of the National Bank, hit the nail on the head when, in 1981, he warned bankers against the danger of neglecting the quality of their clients in favour of quantity. "In concrete terms," he said, "qualitative growth means more prudent selection of clientele."

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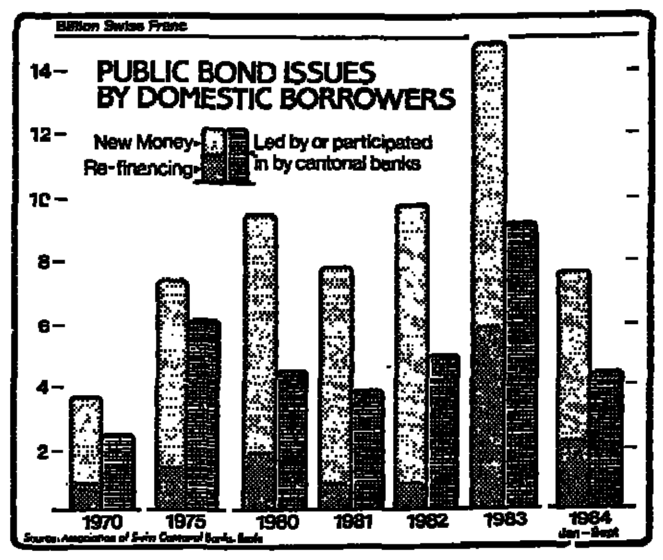


Dealing on the Zurich Stock Exchange. Market value of outstanding public domestic bonds reached SwFr 83.5bn at the end of 1983.

Balance tilts in borrower's favour

Domestic Bonds

MAGGIE URRY

THE SWISS domestic bond market has served both borrowers and investors well over the years. It has offered an ample supply of long-term capital to the Government, banks and industry while giving investors an adequate return.

The total market value of outstanding public domestic bonds was SWFr 83.5bn at the end of 1983, according to the Zurich Stock Exchange. Of that total 28 per cent were bonds issued by the three levels of government—Federal, cantonal and municipalities — leaving plenty of room in the market for other borrowers to raise money.

Now the balance between the supply of money and the demand from borrowers of a high enough standing to come to the public bond market, seems to be tilting in favour of the borrowers.

"The amount available for investment is growing faster than the need for domestic finance," observes one Swiss banker.

This year has seen a sharp drop in the amount of money raised by all types of borrowers in the market following the record year in 1983. According to the Swiss National Bank's figures the total amount raised through public bond issues on the domestic market so far this year is only SwFr 8.1bn compared with SwFr 12.7bn in the same period of 1983, a fall of 36 per cent.

This fall partly *reflects the* lower volume of refinancings necessary, and the amount of new money raised has fallen by a smaller percentage from SwFr 7.5bn to SwFr 5.8bn.

The fall in the Government's borrowings largely reflects *lower demand from the cantons* and municipalities. The Confederation's bond issues have not fallen significantly from 1983 to 1984. However, as the Federal deficit is reduced—and there are some hopes that the budget will be closer to balance next year or the year after—new issues from that source will reduce.

Companies have generally found the equity market a good place to raise funds this year, and have been rebuilding their capital ratios by making rights issues.

Only the banks have kept up a similar volume of borrowing since 1983. That may result from a declining demand for the bank's medium term cash bonds (Kassenobligationen) making the banks turn to the *bond markets to raise funds.*

Changing patterns

That fall in demand for cash bonds also illustrates the changing savings patterns in Switzerland. Saving is becoming more institutionalised as the provisions for pensions and insurance grow.

A greater part of employees' salaries is now being diverted into funds to provide for old age pensions, and "widows and orphans." Now employers are being required to make contri*butions to* pension schemes as well—something which was voluntary before, but is now mandatory even for small companies.

This growth in institutional funds for investment is beginning to reduce the savings potential of private individuals. It is also ensuring a greater amount of money is available for investment in the bond markets.

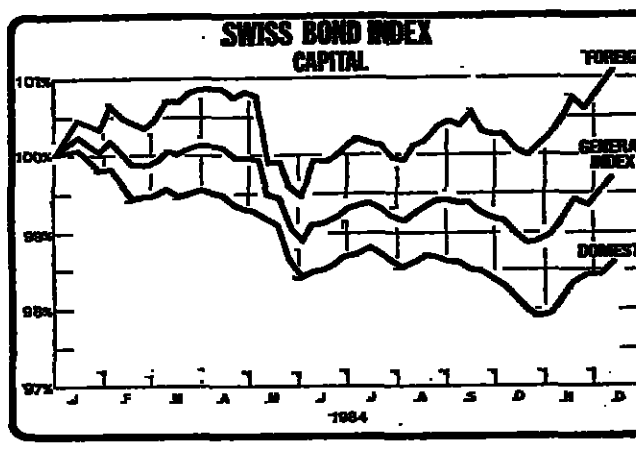
Prudential investment guidelines mean that the bulk of this money is invested in Swiss francs, mainly the bond and stock markets and mortgages. Some funds are beginning to invest in Swiss franc denominated foreign bonds, issued by top class borrowers.

If other factors stay the same, the growing level of institutional investment in the domestic bond market would tend to lead to a reduction in yields. That has not happened during 1984.

Throughout 1984 Swiss domestic bond yields have been rising, and are only now beginning to reverse that trend. Yields on Federal bonds started the year around 4¼ per cent and reached 4.8 per cent in mid-October. Despite the low rate of inflation and the decline in U.S. interest rates, Swiss interest rates have crept up this year.

The tight monetary policy and the banks' shortage of medium-term customer deposits as well as the strength of the U.S. dollar have combined to push rates upwards.

Since the summer this move has contributed to the smaller volume of new bond issues, which culminated in mid-October with the cancellation of a Confederation *bond issue.* The issue was withdrawn because of the unsettled market conditions at the time, when it looked likely that the coupon on the SwFr 250m issue might have to be 5 per cent.



Benchmark

That level would have set a benchmark for other borrowers as well. The Confederation's previous issue, in August, had been given a 4¾ per cent coupon and 99.80 issue price. This month's Confederation issue will reflect the slight weakening of yields since October, and come with a 4¾ per cent coupon.

The withdrawal of this issue was the first since the Government changed over to a tender system for selling its debt in 1980. The Government announces an issue setting the maturity and the coupon, and the approximate amount to be raised.

Investors submit offers on a price basis, and the bids are then ranked and a price is established at which there are sufficient bids to raise the required sum. All investors are then allocated bonds at that one price. Small buyers are able to submit non-competitive bids.

This tender system has now been used by the Canton of urich as well and other cantons, and possibly other borrowers, are expected to follow suit.

Other bond issues are usually placed through underwriting syndicates, where a group of banks take on the risk of the issue and guarantee the borrower's funds for a fee. The syndicate then handles the issue, producing and publishing the prospectus and arranging the administrative details.

Private placements are also made in the domestic bond market, and increasingly the large insurance funds are lending directly to the municipalities, cutting out the banks.

Zurich benefits from strong placing powers

A higher share of shrinking market

Gold

JOHN WICKS

THE Zurich gold market is the biggest in the world. Well over one-half of all physical-metal business is routed via Switzerland, through which more than 50 per cent of South African deliveries are channelled and a substantial share —perhaps one-third or more— of Soviet supplies.

In the past year or so, the international gold market *has* been in the doldrums, though. The strong dollar, moderate inflation and high interest rates combined to produce sluggish demand and low prices. The current price is still not much higher than the 1983/84 low of $332.50 per ounce, itself far below the peak for the period of $510.

Swiss banks have been affected by the poor showing of the world market. Volumes were down last year and have remained modest during 1984.

Disappointment

Not all banks suffered a corresponding loss of earnings, however. Swiss Bank Corporation and Julius Bär, for example, reported satisfactory profits from precious-metals trading last year. In comparison, other major traders—including Union Bank of Switzerland, Crédit Suisse and Bank Leu—have expressed some disappointment.

Despite this, the gold sector is still well in the black. The losses of the Soviet-owned Wozchod-Handlesbank, *disclosed in* November, are certainly not typical for Zurich and were, in any case, obviously, at least in part, the result of human shortcomings rather than the run of the market.

Zurich dealers also point out *that they have been able to* increase their share of an albeit shrinking traded volume. "We are in a better relative position than we were five years ago," says Mr Mathis Cabiallaveta, of the UBS Foreign-Exchange and Precious-Metals Department.

Banks have made up for a good deal of the business they lost to foreign centres when a sales tax (now of 6.2 per cent) was re-introduced on deliveries of physical gold in 1980.

This has severely reduced Swiss over-the-counter sales of coins, medals and bullion—but led to a sharp rise in so-called precious-metal accounts and to physical business on the part of foreign branches.

Switzerland's good showing in two poor "gold years" in succession, is the result, in part, of its enormous placing powers; its major trading banks *are, for instance, among the* few able to handle central banks' swap and lombard transactions involving the yellow metal.

Just how big the Zurich market is cannot easily be estimated. Last year, a Crédit Suisse study put annual transactions at something in the order of $80-100bn, but this could be on the conservative side when individual banks book daily turnovers of several tonnes.

An idea can be obtained from the Swiss National Bank's figures. These show total precious-metal assets on the part of Swiss banks and finance companies of SwFr 39.1bn at the end of last year and corresponding liabilities (metal accounts) of over SwFr 34.5bn. (The Big Five accounted for over three-quarters of the asset total.) The share of gold in these figures is generally assumed to be between 80 and 85 per cent.

Apart from the huge capacity of the Swiss apparatus, the Zurich market has benefited substantially from the establishment of Premex *by the three* members of the local Gold Pool (Union Bank of Switzerland (UBS), Swiss Bank Corporation and Crédit Suisse).

This jointly-owned gold broker has done extremely well for itself since its foundation in 1982; *in its first full year of* operation it is seen by bankers as having been instrumental in keeping up and strengthening the Swiss position as professional dealers.

The Gold Pool itself continues to work as a joint buyer and carries out a clearing function for its members, though this accounting entity is naturally much less in the news than when it was set up following the world gold crisis of the late 1960s. The Pool itself neither holds physical stocks nor does it engage in brokerage.

Forward contracts

Zurich has no futures market similar to that in London but its banks engage in gold forward contracts. UBS not only has a seat on the London International Financial Futures Exchange (Liffe) but last *autumn set up a Delaware* subsidiary with the name of UBS Futures Inc, permitting it to buy seats on the International Monetary Market in Chicago and the Comex in New York.

All three leading banks have the benefit of their own gold refineries in Switzerland—UBS with Argor in Chiasso, SBS with Métaux Précieux in Neuchâtel and Credit Suisse with Valcambi in Balerna.

These companies, which represent a cost saving for the banks and permit the manufacture of "consumer specialities" in the field of small-size bullion and the like, have naturally been affected to some extent by the drop in overall trading volume.

However, the refineries have been expanding their scope—*partly in the bullion sector,* partly in coins and industrial products—and UBS is now planning a new and rationalised plant for Argor.

Two of the refineries, as well as the new secondary-smelting company Pamp, are based in the Italian-speaking canton of Ticino. This has an ancient tradition of gold-mining, which may soon be resumed.

What might be commercial quantities of gold have been located in the Malcantone area, close to the Italian frontier, where a so-called "New California" was *the centre of a* mini gold rush in the mid-19th century. Should the reserves prove promising enough, the Canadian firm Narex is to ask for a concession.

Increasing competition has not yet led to a fall in commissions

Liberalisation now nearly complete

Foreign borrowing

MAGGIE URRY

WITH SO much capital flowing into Switzerland, the country has to operate an efficient "turntable" to ensure that the capital is quickly exported again. The foreign bond market, and banks' lending to foreigners, are the means by which this function is achieved.

The Swiss National Bank, which must authorise any capital exports of over SwFr 10m, has adopted a policy of liberalisation of the bond market n recent years to help facilitate capital outflows. Tables A and B show the growth in capital exports, divided by types of borrowings and country groupings of borrowers. Table C illustrates the rapid growth of the foreign public bond market, even compared with the expandng idomestc public bond market.

Bankers estimate that as well as the outstanding public bond issues, there are outstanding private placements sufficient to take the total of foregin bond issues above the SwFr 100bn level.

Information

The Swss National Bank's main concern is that a high level of information is given about foreign borrowings. It is not authorsed to prohibit a particular borrower from making an issue on the grounds of its credit risk.

The National Bank is also keen to keep issues in Swiss francs under its control, to prevent untoward expansion of the money supply, and so opposes the establishment of a Euro-Swiss franc bond market, outside the country.

Aside from those considerations, the policy of liberalisation of the bond markets is now virtually complete. Public bond issues, which must have a maturity exceeding eight years, can now total as much as SwFr 200m. Only the top grade borrowers could raise such a sum in the retail investor-dominated market, so the market itself is effectively limiting issue size.

The SwFr 200m limit could soon be abandoned altogether, say bankers.

The system of queueing has also been ended. Previously banks planning a public bond issue had to obtain a date for the issue from the Swiss National Bank, a practice which the smaller underwriting syndicates found worked against them. Now the restrictions have been lifted and banks can bring an issue to market quickly. So far this has not caused an oversupply problem as banks are made aware of any other issues due on a selected date by the National Bank.

Private placements, bond issues which are not advertised and sold publicly, but sold by the banks to their customers, have become freer as well. There is now more publicity about such deals, which have an 18-month to eight year maturity, and secondary market trading in them has been expanded.

The notes are required to be kept within Switzerland, though, and the minimum size of a single bond is set at SwFr 50,000, compared with a usual SwFr 5,000 nominal amount for public bond issues now

There has been some concern that banks making private placements are not sufficiently careful about the borrowers credit standing. As no prospectus is issued, some people believe invetors may not have enough information to decide for themselves what the risks are in buying such notes.

The question has become more pressing in the past couple of years since the number of Japanese borrowers in the market has multiplied.

The banks have made a voluntary agreement to maintain details of an issuer throughout the life of a note issue, although many argue that this was their standard practice before. However, some fear that this step will not be sufficient to satisfy the critics, concerned about investor protection.

The minimum investment of SwFr 50,000 deters all but the wealthy individual investors, argue the banks, and they should be sophisticated enough to know what they are buying. And, say the banks, they would be short-sighted if they sold their clients poor investments—they would not get the chance to do that twice.

Capital Exports (Table A)

(SwFr m)

Year	Bonds	Private placements	Finance credits	Export credits	Total
1979	5,206	10,345	9,739	1,579	26,869
1980	5,486	8,398	7,315	2,123	23,322
1981	7,575	11,846	9,839	2,945	32,205
1982	9,974	17,709	8,772	1,077	37,532
1983	10,292*	20,684	7,644	1,561	40,181
Jan-Sept 1983	7,063*	15,641	5,259	1,030	28,992
Jan-Sept 1984	8,192*	15,173	6,688	1,510	31,564

* Includes foreign and dual-currency issues.

Source: Swiss National Bank

By groups of countries (Table B)

(SwFr m)

Year	Industrial countries	Developing countries	Socialist countries	Opec	Development organisations	Total
1979	19,892	2,885	1,473	706	1,914	26,869
1980	16,024	3,430	834	434	2,600	23,322
1981	22,902	4,508	1,443	467	2,885	32,205
1982	29,155	3,711	539	127	4,500	38,032
1983	31,619	3,438	435	233	4,456	40,181
Jan.-Sept. 1983	23,781	1,952	336	80	2,842	28,991
Jan.-Sept. 1984	23,522	3,304	557	373	3,809	31,564

Source: Swiss National Bank

Public bond issues outstanding (Table C)

(foreign and domestic bonds)

	Foreign		Domestic	
Year-end	No.	Market value SwFr bn	No.	Market value SwFr bn
1975	350	19.4	1,454	56.3
1978	385	26.7	1,454	69.2
1979	356	25.1	1,348	64.1
1980	397	27.3	1,412	68.1
1981	460	31.3	1,464	70.3
1982	554	42.5	1,516	82.0
1983	635	51.0	1,406	83.5

Source: Zurich Stock Exchange.

The discussions highlight the concern by some bankers over the increasing involvement by foreign banks, domiciled in Switzerland, in the underwriting business. On the one hand, these banks often introduce business to the market and may manage investment portfolios of foreigners who wish to invest in Swiss franc paper. On the other, these banks may try to undercut the Swiss banks in order to get business, and may not have sufficient placing power to sell a large issue.

So far the presence of foreign banks has not caused many problems and they have often been included in the established syndicates if they bring a deal to Switzerland. But their continued importance could contribute to the gradual process of the weakening of the syndicates which has been taking place over the years.

In the 1960s only the "Big Syndicate" lead-managed public foreign bond issues. This is headed by the big three banks, Credit Suisse, Swiss Bank Corporation and Union Bank of Switzerland, and includes other banks and Cantonal banks. Its position is still dominant and even its rivals do not expect its market share, now just under 75 per cent, to fall rapidly.

Other syndicates have appeared, the first being led by Handelsbank, followed by the Nordfinanz / Kredietbank (Suisse) syndicate and the Banque Gutzwiller, Kurz, Bungener syndicate.

Since 1977 the Swiss National Bank has allowed "ad hoc" syndicates to manage issues. The most important bank running such groupings is Soditic, which so far this year has come next behind the big three banks in the lead management stakes, although a long way below in market share.

The smaller ad hoc syndicates make their mark by offering a more personal and flexible service to borrowers, and by pioneering new types of issues.

Increasing competition has not yet led to a fall in commissions, although some bankers admit that there are pressures on the commission structures. Because of the largely retail nature of the foreign public bond market, new issues are expensive to launch, involving extensive advertising in newspapers and printing of information sheets, as well as dealing with numerous small transactions.

So far competitive bidding for deals has not become the fashion to the extent that it has in the Eurodollar bond market, as most banks realise that on a straight issue the Big Syndicate has all the winning cards.

The market is continuing to expand, though, and bankers agree that there is enough business to go round.

Borrowers find the Swiss market attractive because of the low interest rates available there. Currently Swiss franc rates are around 6 percentage points lower than those for Eurodollars. Borrowers are concerned, however, that an appreciation of the Swiss franc could wipe out the benefits of the lower interest rates.

Many remember horror stories from the 1970s when the strong rise in the Swiss franc left borrowers struggling to repay loans.

The current wide interest rate differential would offset an enormous rise in the Swiss franc over a 10-year loan period. That does not help a U.S. company treasurer who must revalue his loans quarterly, though.

The heavy borrowings by Japanese companies, now making around a third of new bond issues, reflects their lack of concern about the yen's exchange rate against the Swiss franc.

Fashionable

Swaps, where another party takes on the exchange rate risk, are becoming more fashionable for foreign borrowers. Dual-currency issues—developed by Soditic—are an alternative. These allow borrowers to pay the interest in Swiss francs, but repay the loan in U.S. dollars. The Swiss National Bank only allows dual-currency issues linked to the dollar.

The Swiss franc market has not taken to floating rate note issues. Although some have been made, the Swiss investor is generally not interested in a fluctuating interest rate. That is party because interest rates in Switzerland are not sufficiently volatile to make a floating rate issue attractive.

Convertible issues, mainly made by Japanese companies, have proved very popular, and are actively traded. The borrowers usually find the bonds being converted into the company's shares once the share price rises above the conversion level, and then comes back to the market to make another issue.

Bankers are unable to estimate accurately what proportion of invertors in the foreign bond market are Swiss. Some say as much as 80 per cent of investment could be made on behalf of foreigners whose portfolios are managed by Swiss banks.

As in the domestic bond market, 1984 has seen a rise in yields during the summer, which is now beginning to reverse. As coupons rose above the 6 per cent level, new issue volume slackened but even so this year should be another record one for Swiss capital exports.

Greater international direction of movement

Unit trusts

ANTHONY McDERMOTT

A COMBINATION of favourable stockmarket conditions, the strength of the U.S. dollar and greater initiative and expertise shown by fund managers has enabled Switzerland's securities funds to continue to show good results. They have sustained a period of growth which started in 1982 and which offsets the decline in and disappointment at the performance of unit trusts from the mid-1970s.

The figures show that unit trust business is booming. The number of funds at the end of last September was 139. At the end of 1982 there were 122. More striking is the figure for total assets which had reached new record levels of SwFr 19.4bn, 12.1 per cent up on those a year earlier at the end of September 1983. At the end of 1983 and 1982, they were SwFr 17.9bn and SwFr 15.67bn respectively.

This trend has been further indicated by the growth in the number of certificates in circulation. By the end of last September they had risen by 4.3 per cent over the previous 12 months to 147,860, from 141,785, back to being consistently above the mid-1981 level of 140,000.

For the first time since 1973 the net inflow of funds into unit trusts last year topped SwFr 1 bn-SwFr 1.07bn. For the first nine months of this year, money in, at SwFr 1.57bn had already exceeded that for the whole of the previous year (SwFr 1.51bn), against withdrawals of SwFr 668.8m (SwFr 444.6m).

The greater international direction of trusts, taking advantage of growing sophistication in markets abroad and of access to yields above those of Swiss interest rates, is also indicated statistically. At present, 23 funds invest solely in foreign securities and 55 in both Swiss and foreign securities. This should be compared with just seven with completely domestic portfolios.

In the latter case, the figure has held steady in recent years, while the former has risen markedly. At the end of September, assets included SwFr 6.12bn in foreign bonds and SwFr 3bn in foreign shares, compared with combined Swiss securities holding of SwFr 1.7bn.

Steady

The number of foreign funds permitted to operate in the country, laid down by the Federal Banking Comission of Swiss banks, has also risen, from 41 at the end of 1982 to 49 at the end of last September.

Otherwise, investment funds, first started in Switzerland in the 1930s, reflect very much the banking balance in the country. The Big Five banks manage more than threequarters of fund assets, with cantonal, private, foreign-controlled and foreign funds taking up most of the rest.

One sign of the blossoming of the fortunes of the investment funds came in June when Credit Suisse was able to attract SwFr 336m in the first 12 days of issuing terms for six new funds.

Not all sectors have prospered, however. Real estate funds, which are largely centred on Swiss assets have shown a downward trend in portfolio value, particularly because of low inflation in Switzerland, after being popular through a rise, until recently, in property values. Thus net fund inflows for the 37 funds (down one since the beginning of the year) investing exclusively with real estate reached SwFr 29m in 1982, rose to SwFr 154.1m last year, and for the first nine months of this SwFr 41.9m.

Part of the reason has been the low level of return in this sector—between 4 and 5 per cent—compared with bonds and securities and the concern with new property tax laws which the individual cantons may bring in.

Outside this sector, confidence in securities funds has been reinforced in part because markets are flourishing both in Switzerland and in New York, Europe and Tokyo, and for two additional reasons.

The first is that the funds have become more expertly managed and more attuned to the day-to-day developments in markets, and second because institutional funds are using them more, in the case of some companies up to 40 per cent.

The two interests come together in that the small private investor and the institutional funds require more expertise and that the banks and funds also wish to reduce the costs by attracting, through virtually commissionless "no-load-funds." investors who will operate through their own funds rather than in individually small but costly investments. One result has been a diminution of fund companies run jointly, by several banks.

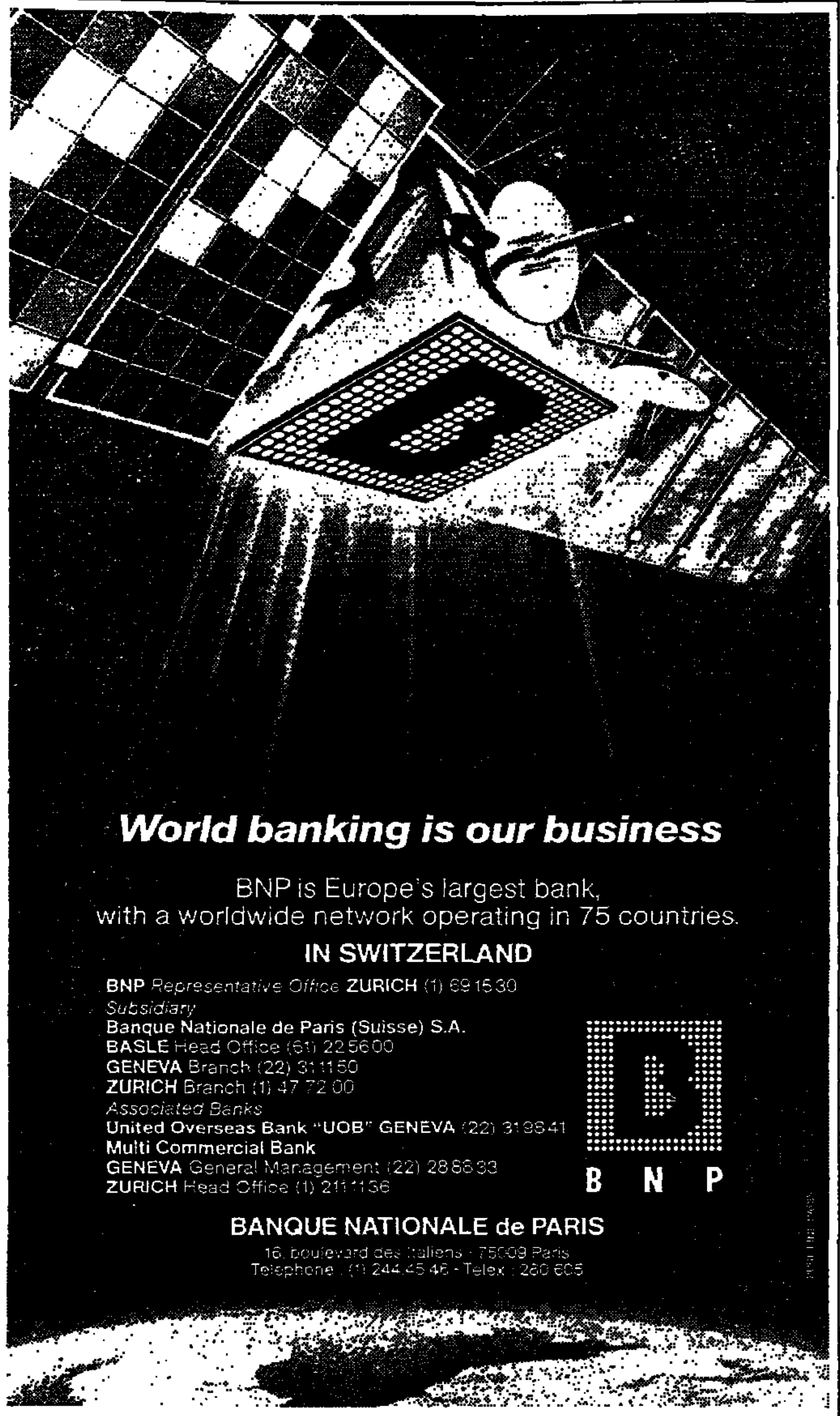
Problems

Reservations remain, however. Turnover tax, the federal stamp duty and the withholding tax of 35 per cent on interest and dividend income from Swiss sources, which can only be reclaimed by Swiss investors and nationals of countries with bilateral taxation agreements have caused problems for unit trust managers as for the rest of the financial community.

There isalso some concern as to the effects of the new social security regulations which come into operation at the beginning of 1985. These will make compulsory additional contributions to the corporate pension schemes by both employers and employees, separate from the comparatively limited state social security arrangements, that already exist.

Opinions are divided as to whether this new legislation, which contains severe restrictions on investments by pension funds to sectors of the Swiss market, will affect the unit trust funds adversely or not.

On the one hand, compulsory contributions by employees will take a share in savings (and investment potential) of a country, which in per-capita terms is the thriftiest on earth and also has the highest unit-trust holdings. On the other, it will swell the holdings of institutional funds which have become of increasing importance.

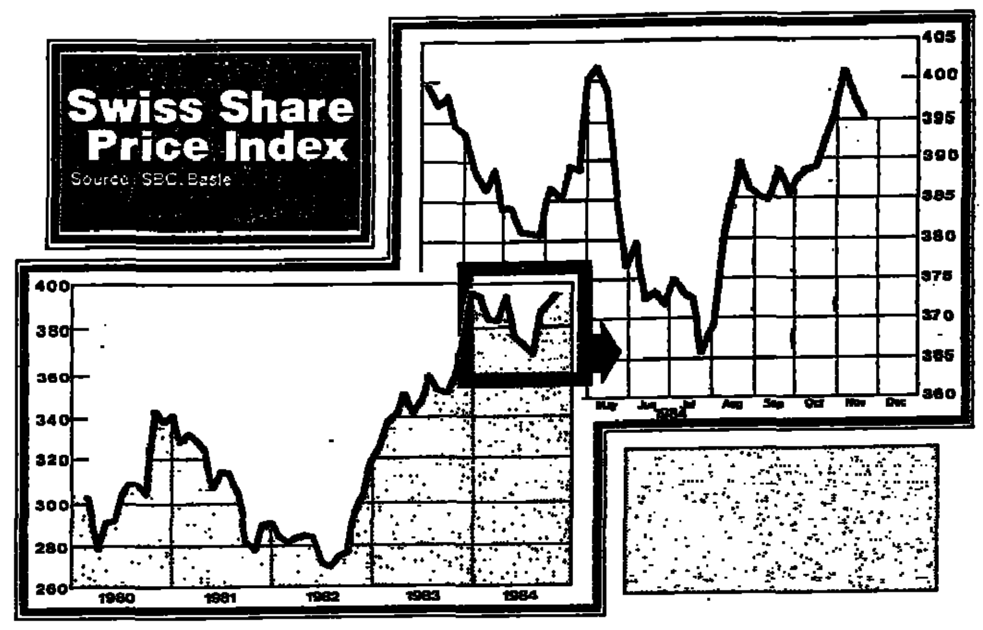


Geneva and Basle exchanges head for another turnover record

Bond issues lead trading bonanza

The Bourses

JOHN WICKS



THE SWISS stock market will *break its turnover record for* the sixth successive year in 1984.

In the first 10 months alone, share and bond transactions on the Zurich bourse — still oy far the most active in Continental Europe — reached a level of SwFr 253.7bn ($111.76bn) a 16 per cent increase over the corresponding period of last year.

October showed an all-time monthly high of SwFr 29.6bn, or 36 per cent above the same *month of 1983.*

This sharp rise in turnover, which has also taken place on the Geneva and Basle Stock Exchanges, has been welcome particularly by the banks.

Since these double up as stockbrokers in Switzerland, they have been booking substantial commission income; off-balance-sheet earnings which will represent a significant contribution to what will again be record profit figures.

The trading bonanza has not, however, been accompanied by a corresponding improvement in equity prices. These had been rising steadily until early January of this year, when the Swiss Bank Corporation share index reached 403.8 points or the highest level since February 1973.

Since then, the index has been fluctuating below this point, rising slightly to a new 11-year high early this month.

In fact, the soaring turnover figure reflects the high level of bond issues rather than any unusual activity in share trading. (The Zurich turnover is inflated by the fact that it covers all securities transactions in Canton Zurich.) In terms of bargains, business actually stagnated, with 327,481 quotations in the first ten months of 1984, as compared with 330,414 for the corresponding period of last year.

Swiss equities, although they offer the considerable advantage of investment in a sound currency and a generally sound economy, fall short of being glamorous. The average yield is running at something like 2.7 per cent, with lows of 0.9 *per cent* for engineering shares and under 2 per cent even for the flourishing chemical industry's stock.

Modest return

With the dollar up 15 per cent against the Swiss franc since the start of the year and relatively attractive Swiss interest rates — including 4½ per cent on three- to 12-month time deposits — equity investments offer only a very modest return.

Admittedly, some major Swiss companies did raise their dividends this year — but others passed them completely. Nor is overall profit growth generally expected to be as great in 1985 as for this year.

There are several reasons why share prices should at least hold, if not improve, though. One is the possibility of a medium-term weakening of the dollar and the resultant withdrawal of funds from the American and Euro-market; as one of the hardest European currencies, the Swiss franc could expect to attract domestic and foreign investors looking to an exchange-rate gain. Furthermore, there has been a slight but noticeable downturn in Swiss interest levels which could be confirmed when the conditions are announced for the Confederation's December bond issue.

Added to this, Switzerland's leading industrials will in most cases show improved profitability when they publish definitive 1984 figures—and banks and insurances are virtually sure to have improved profits.

At the same time, the Swiss stock exchanges are expanding their facilities. In October, the bourses of Basle, Geneva, Berne and Lausanne announced the extension of the maximum length of forward share contracts from three to nine months to bring their operations into line with those of several foreign exchanges.

This move has also been taken, according to the Basle bourse, "to acquire experience . . . with an eye to the possible introduction of traded options and financial futures."

Since Zurich has not yet joined in with the nine-month system (though it might possibly do so next year), some business could transfer from there to the other Swiss exchanges, particularly Geneva, which unlike Basle has not limited the new maximum to a selected number of shares.

The three biggest bourses—Zurich, Geneva and Basle—continue to plan for the future within the "Commission Tripartite Bourse".

This has produced a number of studies aimed at modernising trading procedures and considering the start-up of traded-option and financial-future business. *All three exchanges* have expressed interest in this latter development.

All three are also engaged in building plans. New, expanded premises should be opened in Geneva and Basle by 1986, while the SwFr 113m Zurich project is foreseen for inauguration by the year 1990.

The existing bourses in the three cities have become too small for the volume of business, not least in view of the intended introduction of futures trading.

A number of new equities have been listed in Switzerland this year, especially those of American companies. Some 10 U.S. shares were introduced in Zurich in 1984, including such leading equities as those of Wang Laboratories, Engelhard and Allied Corporation.

Other newcomers were the German companies Allianz and VEBA and Switzerland's own Autophon (tele-communications) and La Suisse (insurance). By the end of October, Zurich had a total of 365 different shares listed, of which almost one-half were those of non-Swiss companies. Market capitalisation of the Swiss companies alone had just passed the SwFr 100bn mark.

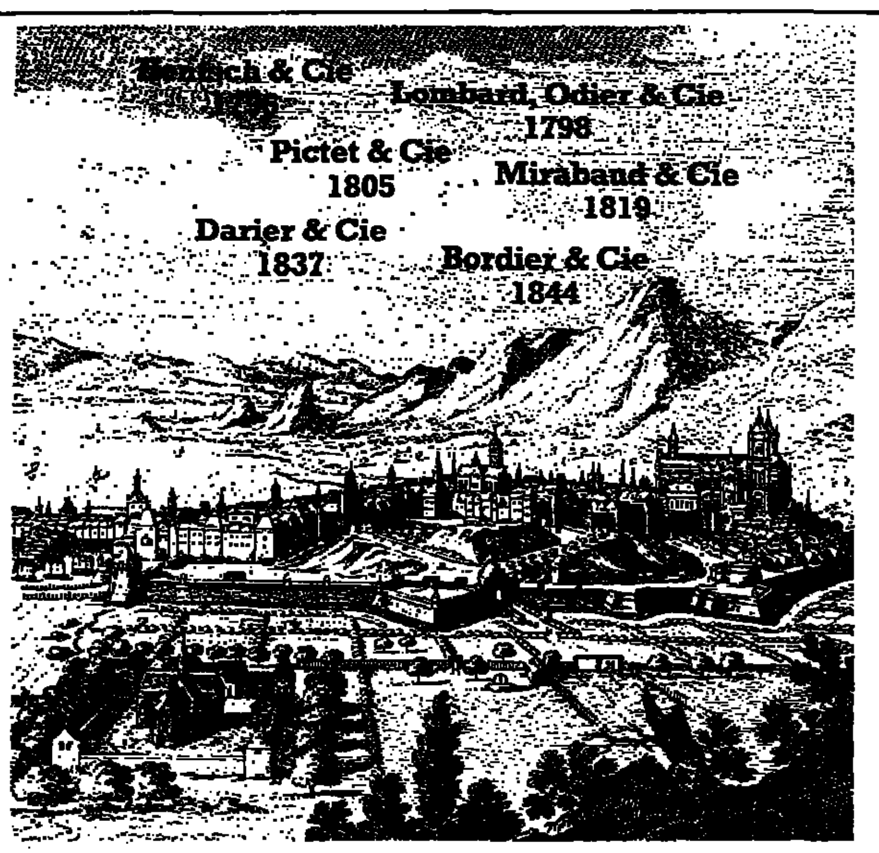
More activity

As far as new share issues were concerned, there was rather more activity this year than in 1983 or the very slow year 1982. In the first three-quarters of 1984 Swiss share issues (including the paying-up of outstanding capital) reached a value of almost SwFr 1.25bn, as compared with only just SwFr 1bn for the whole of last year and a bare SwFr 560m in 1982.

An important reason for this has been the need for new equity on the part of the banks in order to meet statutory capital-resource requirements in the face of growing balance sheets.

These have been increasing not only due to an expansion of the banks' credit and deposit business but also as a result of the stronger dollar.

In the first nine months of *this year, bank equity accounted* for nearly SwFr 525m, or some 42 per cent of total new share issues. This was followed by some SwFr 396m on the part of industrials, SwFr 125m by insurances, SwFr 75.6m by holding companies and the remaining SwFr 125m by miscellaneous firms.



Better underwriting results sought

Insurance

JOHN WICKS

SWITZERLAND is one of the world's major centres in the insurance business. In 1982, the latest year for which full figures are available, a total of 86 Swiss insurers and re-insurers booked a combined premium volume of SwFr 27.3bn (the equivalent of over $13.4bn at the exchange rates then in force), even excluding the income of their foreign subsidiaries.

Of this Swiss-based business, well over half was accounted for by foreign policies, making the country even more "international" than London.

When the policies written by foreign subsidiaries are adde, the Swiss insurance industry takes on even more of a world-scale dimension. Last year gross premium volume of the 17 leading firms alone reached SwFr 37.2bn — a 12 per cent increase over the corresponding figure for 1982.

The huge annual income of the Swiss insurance groups, which is certain to have risen further this year, has led to the creation of massive capital resources, returns on which swell takings further.

Invested assets of only 10 major groups amount to about SwFr 91bn ($41.8bn) by the end of 1983 and will doubtless go on expanding for years to come.

A large share of the total is naturally placed at home. In 1982, the Federal Office for Private Insurance says insurance and re-insurance companies had some SwFr 79.4bn invested in Switzerland. This does not include the SwFr 102.8bn of assets invested by the end of the same year by staff welfare funds. This latter figure is set to jump following the introduction of a law making employee pension schemes obligatory.

This naturally makes the insurance and pension-fund sector an extremely important institutional investor in the Swiss capital market, especially in the field of fixed-interest securities.

According to a study by Swiss Re, substantially more than half of all private insurers' investments were in the the case of the pension funds, form of bonds and loans. In fixed - interest investments amount to over 30 per cent of the portfolio.

Equity holdings play a much smaller role, not least in view of restrictions on the exposure of life-assurance firms and pension funds: shares account for well under 10 per cent of total investments, even in the case of non-life direct insurers and re-insurers with more latitude in their portfolios.

To the general public, insurance companies are better known for their substantial interests in thep roperty sector. According to the Swiss ational Bank, private insurers and sick-funds held mortgages worth *SwFr 13bn by the end of last* year and pension funds a further SwFr 10.9bn.

Mortgage holdings

Generally speaking, life-assurance companies hold about 25 per cent of their assets and non-life insurers some 7 per cent in the form of mortgages. Over and above this, some 20 per cent of the life companies' investments and an average 16 per cent of the rest are in actual bricks and mortar.

Although private insurers own only about 2 per cent of all Swiss housing, they and the pension funds are major factors in the building and renting out of blocks of flats.

Capital-market condtions in Switzerland are of the greatest possible importance to the insurance companies. Here, as abroad, they rely on investment earnings to keep them in the black. While, the life-assurance firms regularly show an underwriting profit, non-life business and re-insurance bear major operating losses.

Last year, for example, Zurich Insurance showed a non-life underwriting loss of SwFr 335.8m and Swiss Re one of SwFr 380m on non-life reinsurance. Non-life companies and those with mixed life/non-life operations are thus fully dependent on how well their investments work.

In Switzerland, there has been a marked withdrawal from exporters' bad-debt coverage.

This does not mean that the Swiss insurance industry is settling back to become little more than the recipient of unearned income.

The industry is doing all it can to improve its underwriting results. Both Zurich and Swiss Re, for example, are carrying out a "very cautious" policy with regard to accepting new business in North America and have both got out of the difficult field of medical-malpractice insurance.

At the same time, there are indications that the insurance sector is out to cut costs in its administrative operations. This will mean at least some re-structuring of the large labour force.

A cost-analysis programme has just been heralded by the Swiss Re concern, for example.

For all the attempts to im*prove operating* results, premiums continue to grow. Nor are the companies giving up their search for interesting new participations abroad; the Bâloise group recently acquired a "substantial" shareholding in the Belgian Mercator Algemene Verzekeringsmaatschappij, while the Zurich/Swiss Re joint venture Fidelity and Deposit of Maryland launched a building-guaranty specialist subsidiary with its Surety Support Services.

New openings

In November, Swiss Re chairman Dr Walter Diehl said his company was looking for new openings in the field of direct insurance, probably in the form of a medium-sized U.S. specialist company at an acceptable price.

There seems to be little opportunity to grow much more at home. Already, insurance policies account for almost 15 per cent of the average Swiss household budget—the biggest single item.

Despite the chances offered by new pension and sickness-insurance regulations, companies report a certain saturation of the market in the near future. Expansion will have to be centred on foreign business, both from Switzerland and by foreing subsidiaries.

Considerable importance will continue to be placed on group policies, *in which most* major Swiss insurers have a great deal of experience. Apart from hte new business resulting from the pension fund legislation at home, there seem still be plenty of possibilities in such international sectors as that of multi-nationals' insurance schemes.

The Winterthur concern has just set up Ifisco International Finance and Insurance Services in Zurich as a "full-service" company offering multinational *companies an across-the-board* programme including welfare-insurance support and services in connected risk management and financial fields.

As far as the insurers' borrowing activity is concerned, there has been no bond issue on the Swiss-franc market since Winterthur's SwFr convertibles float in Spring of lasta year.

On the Swiss equity market, however, five companies have raised a total of some SwFr 183m so far this year with issues of bearer and registered shares and participation certificates.

Lesson of intervening in the foreign exchange market has been learned.

Fine tuning for monetary base targets

Swiss franc

MAGGIE URRY

SINCE THE move to fully floating exchange rates in 1973, the Swis sfranc has enjoyed an almost non-stop appreciation and has gained notoriety as the hardest currency in the world. This year, however, has witnessed a weakening as the strong U.S. dollar has pushed aside all other currencies. Against the Swiss franc the dollar has regained the levels last seen in 1977.

The Swiss franc exchange rate, unlike other currencies, has little to do with international trade. Switzerland's trade balance is always in deficit—but the country's income from capital and services more than makes up the deficit, leaving the current account in significant surplus.

That is not to say that trade is not important to the Swiss economy. Exports are vital to this small country. So the current Swiss franc/dollar exchange rate at over SwFr 2.50 to the $ does not unduly worry the Swiss National Bank—the central bank. A weakening Swiss franc helps the important export industries.

Meanwhile imports of dollar priced raw materials—essential because of Switzerland's lack of natural resources—did not cause problems while raw material prices were falling. They are now beginning to rise, with the exception of oil, and so will contribute to inflation.

More worrying

A weakening of the Swiss franc against the Deutschemark would be potentially more worrying, given the close links with that country and the rest of Europe. But officials believe that the current parity of over DM 0.80 is acceptable.

The Swiss National Bank has long since abandoned any ideas of controlling the exchange rate through interventions in the foreign exchange market. Such interventions, the bank believes, do not ultimately work—as the attempts this summer by the Bundesbank to bolster the D-mark by selling dollars, showed on all but a short-term basis.

At that time the Swiss National Bank, in its October monthly report, said that the Bank took no part in the intervention, because it was not convinced that intervention, with a neutral effect on monetary aggregates, could have lasting effects. There was no reason to change monetary policy, the bank continued, since the Swiss franc, while clearly weakening against the dollar, firmed against the D-mark and other European currencies.

The level of the exchange rate is inextricably tied up with the country's money supply supply growth, because capital flows into the Swiss franc expand the monetary base. Keeping inflation low is the top priority of both Swiss politicians and the Swiss National Bank. The policy of sticking to monetary targets has the support of all. "We don't need a referendum on that," one Swiss banker quipped.

When the exchange rate was fixed, the Swiss National Bank was committed to buying dollars (offered by banks swamped with foreign currency deposits) in order to hold the exchange rate. Once the exchange rate moved to a floating basis, the Swiss National Bank was able to announce and implement a money supply *growth target designed to keep* domestic prices stable. The policy was first implemented in 1975.

The Swiss National Bank learnt its lesson over giving up monetary targets in favour of control of the exchange rate in 1978. Then a sharp appreciation of the Swiss franc lead the Swiss National Bank to switch from a target for M1 growth to an exchange rate objective, stated against the D-mark.

Large interventions in the foreign exchanges resulted, leading to a sharp growth in money supply. The Swiss franc's overvaluation was corrected, though.

In the spring of 1980 the Swiss National Bank reverted to a money target—but changed the focus of its attention from M1 to the monetary base. That is the only number over which the Swiss National Bank has virtually full control.

As capital inflows increase the monetary base, the Swiss National Bank's principal tools of monetary base control are measures to ward off the inflows. Setting the level of interest rates—usually the instrument employed by central banks to control money growth—has little or no place in the Swiss National Bank's monetary armoury.

The main method of combating the inflow of capital is the use by the bank to swaps. This involves the purchase and resale of foreign currency from and to Swiss banks by the National Bank. Short-term operations, quickly reversed, are thought not to jeopardise monetary targets.

Previous efforts to penalise capital imports through a tax or negative interest rate on foreign held Swiss franc deposits are now regarded as inefficient measures.

The only thing that could upset the Swiss National Bank's adherence to monetary targets would be an exchange rate crisis—in Swiss terms an appreciation not depreciation of the currency—along the lines of 1978.

Some argue that the Swiss National Bank would not take the same decision again. But as Dr Kurt Schiltknecht, the director of the Swiss National Bank who heads the economic research department, said in a speech on monetary targeting, of the policy switch in 1978, "We clearly consider such a policy as a second-best solution only. However, we believe that under the given conditions we had no better alternative."

More stable

The question is whether those conditions will be repeated. While many think that the Swiss franc will one day show the same sort of strength again, the greater freedom now allowed by the Swiss National Bank in capital movements across the exchanges has made the foreign exchange market more stable, and reduced the risk of enormous swings in the currency.

Some economists blame the liberalisation of capital outflows implemented in recent years, for the weakening of the Swiss franc this year.

The Swiss National Bank's monetary policy is not the result of sophisticated research work, more of casual observation. Now adopted, the bank sees no reason to change its faith in an indicator that has worked well.

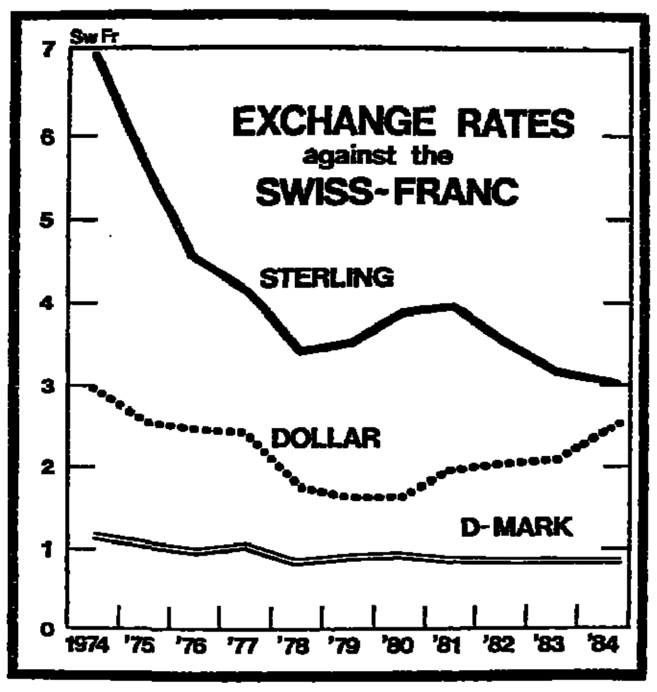
At the end of each year a target for growth in the monetary base is set by the Swiss National Bank's three-man Governing Board. This decision is then communicated to the Government.

The choice of a single figure target, not a band, has important psychological benefits. A figure will hardly ever be exactly hit, so missing it is not as "bad" as being outside a range.

For the past three years (1982-3-4) the target has been set at 3 per cent, a reduction from a 4 per cent target in 1980 and 1981. The target for 1985 has just been announced at 3 per cent.

Weekly meetings within the Swiss National Bank monitor the progress of the monetary base and allow for deviations to be agreed in the case of unforeseen events. Short-term targets are not rigidly held to, as long as the medium-term constraints are being met.

Monthly figures for the monetary base can show large swings as a result, but little attention is paid to these by the markets—where the credibility of the National Bank's anti-inflationary stance is intact.



The right path back to stability

The economy

JOHN WICKS

LIKE every other industrial country, Switzerland was hit by the recession of the early 'eighties. With one-third of its total gross national product accounted for by the export of merchandise and services, it is constitutionally sensitive to the ups and downs of world demand.

This is particulrly so in the case of the sophisticated capital goods and consumer products for which the country is best known—and of which only a small fraction can be sold on the home market.

As always, it took Switzerland some time to show the full effects of the international downturn. In realy terms, GNP growth first slowed from 4.2 per cent in 1980 to 2.5 per cent the following year before giving way to an actual decline. This showed in a 1.5 per cent drop in 1982—the worst setback since the crisis of the mid-70s—and a further reduction of 0.5 per cent last year.

Again with something of a time-lag, the Swiss have in the past year been gradually pulling out of the doldrums.

Government figures for gross domestic product showed the first minimal improvement in Autumn, 1983, and a general *recovery since.*

Current estimates put the real growth of GDP at between 2.2 and 2.8 per cent for 1984 as a whole, or substantially more than the 1.7 per cent cautiously pencilled in by the official Commission for Economic studies at the turn of the year.

Looking ahead, National Bank chairman Dr Fritz Leutwiler recently said he thought this growth rate was likely to fall off rather next year. Most observers are expecting a real-terms GDP growth of around 2 per cent for 1985, though, and the Basle Economic Research Working Party (BAK) is already forecasting a further rise of some 1.5 per cent in the following year. The Swiss have obviously returned to their traditional stability.

Current economic indicators are certainly encouraging. Inflation remains at around 3 per cent, unemployment is running at 1.1 per cent and the Swiss franc is in a reasonable relationship to most other currencies.

The recent recession has taken its toll, however. The total number of jobs has further decreased, the industrial workforce numbering some 12 per cent fewer employees in mid-1984 than nine years earlier.

In percentage terms, Swiss *unemployment is enviably low* in international comparisons; in absolute figures, though, the average number of jobless this year is likely to be the highest since before the last world war.

Some important industries have been badly shaken up. This aplies most of all to watch-making, whose labour force has dropped by almost one-half over the past decade.

This has led to the formation of pockets of high and tenacious unemployment—of 4 per cent and more—in parts of the traditional watch-industry region along the Jura foothills.

Hard times

Machine-building, as Switzerland's biggest single industry, has also been going through some hard times. In the Autumn of 1983 order books of the engineering industry were the slimmest on record, with the equivalent of only 5.7 months' production.

All major sectors of the machine-building and metals industry were faced with an order volume smaller than that necessary to provide work until average delivery dates.

A year later, things are rather better, though orders on hand—equal to 6.9 months' output—remain well below the levels seen before 1982.

This has naturally been reflected in the showing of Swiss companies. Apart from an unusually high incidence of bankruptcies among small firms, even the biggest groups have been suffering.

Five out of Switzerland's top 10 engineering concerns recorded a net loss for 1983, as well as such big corporate names as the Asuag/SSIH watch-industry group and Alusuisse.

In most cases, Swiss business is expecting better results for 1984. Return on turnover is generally fairly modest, however, and even such a flourishing sector as the chemical industry is barely earning enough to meet the massive research budget demanded.

Among the service industries, banking and insurance have been continuing their virtually uninterrupted upswing but tourism has been adversely affected by the recent strength of the Swiss franc against such European currencies as the German mark.

The difficulties of various sectors of the economy have, of course, led to subdued investment activity in Switzerland itself; industrial investments fell by some 17 per cent in 1982 and a further 11 per cent last year.

In recent months, demand has been improving both at home *and abroad.*

In the first 10 months of 1984 merchandise exports were higher by 14.2 per cent than for the corresponding period of last year as a result. Due not least to this international recovery, domestic business has also been picking up — for industrial equipment, private building and in the retail sector alike.

Rise in imports

Economic recovery has also meant a marked rise in imports. These went up in an annual comparison by 14.7 per cent for the January-October period; this was due in part to an overall 5.6 per cent rise in import prices, while average export prices actually dropped 1.9 per cent over the year, a dual development attributable largely to the higher dollar.

The national trade gap year. The higher cost of imports widened further, by 17.4 per cent in the first 10 months to SwFr 7.93bn ($3.5bn)—or well above the SwFr 7.34bn booked for 1983. Thanks to a healthy net inflow from the invisibles sector, however, the country will again end the year with a sizeable surplus of current account of something like SwFr 7bn.

In the immediate future, business looks like becoming rather quieter. While domestic demand continues to improve, exporters are recording a flattening-out of the new-order curve.

This points to a continued rise in imports and a slower growth in foreign sales. The National Bank is already awaiting a widening of the trade deficit (to the highest level on record with the sole exception of 1980) and a further reduction on the current-account surplus.

By any standards, though, the Swiss economy will continue to thrive. Inflation is expected to remain at or below the 3 per cent mark, unemployment will hardly increase much above the current 1.1 per cent and industrial production should keep up at least a modest growth rate.

The only real obstacle, apart from the start of a new worldwide recession, would be a marked upsurge in the exchange rate.

Indeed, most experts are now definitely expecting the long-awaited rise against the dollar; this would, however, be of less concern to the Swiss than a sudden weakness of the DM, the currency of their main trading partner and competitor.

A powerful public voice

National Bank

W. L. LUETKENS

THE Swiss National Bank, like all central banks, is the country's lender of last resort and conducts monetary policy. Unlike many central banks it is largely independent of the Government. Its steadfast pursuit of monetary stability in a country where inflation has been considered an evil all along has made it into something like a national economic conscience.

The chief reason is that the Swiss political system, which makes major tax changes potentially subject to referendum and in which tax assessments are only issued every other year, all but rules out conducting an anti-cyclical financial policy. The onus devolves upon monetary policy. That aside, it is not fanciful to attribute much of the National Bank's standing to the President of its Governing Board, Dr Fritz Leutwiler.

He realised that in addition to the bank's control over monetary policy it also had the power to exert influence by making its views public. He and his colleagues on the Governing Board often speak forcibly on matters such as bank secrecy, taxation and others that do not strictly speaking fall within the bank's domain.

Made his mark

The success of these tactics depends very much on the success of the bank's monetary management and on the personality of the Governor. By and large the policies have worked. The inflation rate has usually been kept low, certainly by the prevailing international standards, and no undue price has had to be paid in terms of unemployment.

As regards personality, Dr Leutwiler has made his mark at home and also internationally as head of the Bank for International Settlements at Basle. He has shown few compunctions about criticising the commercial bankers and other men of finance when he felt that to be necessary. His style is forthright, which may explain the unusual phenomenon of a central banker with popular appeal.

Dr Leutwiler, who retires as president of the National Bank at the end of this month. He will be succeeded by Dr Languetin (right).

At the age of 60, Dr Leutwiler has decided to retire from the National Bank at the end of 1984, moving into an industrial job as President of Brown Boveri, the electrical concern.

The presidency at the National Bank will fall to Dr Pierre Languetin, a member of the Leutwiler team who has been vice-president since 1976 when he joined from the Swiss foreign service.

Continuity of policy is taken to be assured. That means that the central bank will continue to pursue monetary stability by controlling monetary growth. In an economy as open as that of Switzerland it has accepted that this approach gives it no significant means to influence interest rates or the exchange rates more than fleetingly.

One a year a target is set for monetary growth. For this year and next it is 3 per cent. From then on the bank controls the monetary base by supplying or withdrawing liquidity through dollar swaps with the commercial banks.

Altogether the style of the bank's policy has been to avoid unnecessary excitement, concentrating upon underlying trends rather than occasional flurries. That may explain why the National Bank does not seem to be unduly worried by the relative flimsiness of many Swiss statistics.

The central bankers in their handsome limestone building near the shore of Lake Zurich still smart when they recollect the big occasion when it all went wrong. In 1978 when the dollar sank to SwFr 1.45 (compared with more than SwFr 2.50 now) and the Deutsche Mark to SwFr 0.75 something like panic seized Swiss exporters. Some government ministers, too, clamoured for something to be done.

Dr Leutwiler's team abandoned monetary targeting and brought down the exchange rate at the cost of letting inflation climb to a peak rate of 6.5 per cent three years later.

Abandoned

Dr Leutwiler now says that an error was committed in 1978. Others, however, suspect that in a similar situation the same course would be taken. The fact is that Dr Leutwiler then foresaw the possibility of the Government introducing a multiple exchange rate system to discourage capital imports, and that he abandoned monetary targeting as the lesser of two evils.

The episode illustrates the limits to the independence of the National Bank. According to law, the Government and the bank are to conduct their policies in consultation with each other and to co-ordinate them. That does not subordinate the bank to the Government but in real world pressures and personalities shape policies no less than do points of law.

In theory, if the bank were to pursue a policy that was anathema to the Government, the Government could sack the Governors, just as it appoints them. All it would have to do would be to give its reasons publicly. But it would risk an outcry.

As long as the standing of the bank remains as it now is, the political risk would be too great. One can see why Dr Leutwiler sees to it that the bank places its views before the public.

This strategy is not confined to matters within the National Bank's immediate competence, as defined by law. For instance, he has been running a campaign to ensure a greater amount of disclosure regarding the creditworthiness of the ultimate borrower by private placement.

This is the technique by which banks raise money for a client by placing his notes with an investor, often an individual. The complaint has been made in Switzerland that the lender is often given insufficient information about the borrower.

Dr Leutwiler has taken up the cause, supported by the third member of the Governing Board, Dr Markus Lusser, the man tipped to follow Dr Languetin when the latter reaches retiring age in 1987.

Bank regulation is not a matter for the National Bank. The Banking Commission, a part of the Finance Ministry, deals with it. But the intervention of Dr Leutwiler and Dr Lusser did play its part in persuading the banks to conclude an agreement to improve the disclosure procedure adopted in connection with private placements.

The National Bank's team has spoken out against abuses of bank secrecy, without challenging the principle of secrecy itself, as established in Swiss law. It has called for closer prudential supervision of near-banks to bring them closer into line with the tightly supervised banks.

These are areas where it would like to see closer regulation. But overall the bank's policy has been to give the market its head within the bounds of monetary control.

The National Bank is no longer afraid that a growing internationalisation of the currency, creating a large offshore market in Swiss francs, will destabilise the Swiss economy. Its trust in the market has not so far been disappointed.

Where expertise and discretion rule

Private banks

ANTHONY McDERMOTT

PRIVATE BANKERS of Switzerland in their exquisitely tasteful receiving rooms will break their vows of discretion and admit to yet another good and successful year, making five in a row. Profits once again are up over those of last year. That is about as much detail as they are prepared to discuss.

The cachet of being a private banker may still be that of the much respected family doctor. However, competition is stiff and, as one banker put it, "the banks have changed les than the clients who have access to data they never had before."

Several trends have emerged in recent years. The first is that while the staple business of private banks is still portfolio management (more so in Geneva, the main centre, than Zurich), they have become more interantionally linked to exploit the American and European markets.

For example, Uictet et Cie has, besides its offices in Geneva and Zurich, representatives in Montreal and Tokyo, Pictet Bank and Trust Limited (PBTL) in Nassau, and works closely with Mellon Bank in London and New York.

While private clients still probably provide the main source of income (besides the Swiss, private clients come frequently from the Middle East and Latin America, with West Germany important in Zurich), private banks are increasingly handling institutional funds in Switzerland as well as overseas. In the case of Pictet and Lombard, Odier this now probably accounts for more than half of their business.

The third trend, which has not yet been fully established, is towards private banks discarding their unlimited liability status. In the last decade, Zurich-based banks, Julius Baer (in 1975) and, since the beginning of this year, J. Vontobel et Cie, have decided to turn themselves into limited liability companies. Bank Baer is controlled by Baer holdings, which has a bourse listing. The Baer family retain a majority of voting rights but have accepted a group of fellow shareholders, including Union Bank of Switzerland with a 7.4 per cent stake.

By changing its form of corporation Baer no longer technically qualifies as a private bank. A key difference that it obliged to give details about its activities, truly private banks say nothing about balance sheets and share capital and other details beyond those which appear for the group as a whole in an annual report of the Swiss National Bank (SNB).

Baer in its annual report for 1983 estimates a gross income of SwFr 132.6m, of which SwFr 63.5m came from commissions; SwFr 29.9m as income from trading in foreign exchange and precious metals and SwFr 19.2m income from securities. Net income interest was SwFr 15.4m and is expected to be the same for this year.

Private banks in Switzerland

Year	Numbers	Balance sheets SwFr bn	Nos with balances between SwFr 20m-SwFr 1bn	Employment	Capital and reserves SwFr m
1974	32	2.45	20	2,429	310.5
1980	25	2.64	22	1,930	343.5
1981	25	2.86	21	2,046	363.9
1982	25	3.50	21	2,073	385.0
1983	25	3.71	20	2,163	404.4

This increasing diversification has inevitably made added demands on in-house expertise.

It is a curious fact that finance and economics are subjects far less extensively taught in Swiss universities than would be imagined, given the country's international financial reputation. This is now changing. But is also reflected in the way that the sons of families providing the next generation of private bankers study abroad and work in other banks before joining the nest.

To back up this acquired experience and to match the demands made by clients, those banks which can afford it have developed computer-based research offices, whose staff in numbers match those of the entire establishment of some of the smaller private banks. Thus Vontobel has a researfich department of some 10 analysts out of 320 employees, and Pictet 15 out of 350. The latter publishes a lavish monthly of world economic forecasts and financial trends and reviews of 10 of the main industrialised countries.

The average size of the private bank would seem to be between 30 and 40 employees. But those well below the size of the larger establishments, such as Pictet, Lombard, Odier, Darier and Hentsch, are assured of a faithful, conservative clientele, looking for solid results rather than speculation.

This combination of increasing expertise and total discretion will continue to keep this breed of banker in business. The private banks, in order to keep clear of scandals and out of respect for their traditional clients, are extremely selective about whom they take on.

Besides security checks, any potential investor with anything below SwFr 100,000 and SwFr 200,000 to offer would receive an extremely courteous reception, but a refusal. Ventobel publicly say that they are only interested in clients with SwFr 500,000 to invest.

Over the longer historical perspective, the numbers of private banks has been diminishing. The oldest still operating in Degelin and Co of St Gallen, set up in 1741. Since the beginning of that century about 180 private banks have been established.

By the 1960s this number had shrunk, under the impact of the rise of the larger commercial banks, to 49. Today there are 24 (although the Swiss National Bank statistics are based on Vontobel remaining, until the end of last year, technically a private bank).

If the private banks do face a challenge it could well come from the 100 or so "financial companies" which have sprung up, offering many of the same services which the private banks have proferred.

What is clear is that it is unlikely that new private banks will be formed. The nature of the business is changing but not the character of the exclusive club, still much sought after by clients. The current boom, it is acknowledged, must slow down. But profits are good for banks and clients alike. "I will be glad," one said, "if we have a year in 1985 as good as this one."

FINANCIAL TIMES
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Union Carbide to sell welding gear division for $70m

BY WILLIAM HALL IN NEW YORK

UNION CARBIDE, the big U.S. industrial and chemicals group, is selling its North American welding and cutting systems business to a management-led investor group for $70m.

Fiske, Ward & Company, a New York concern which specialises in leveraged buyouts, put together the investor group which will share the ownership of the new company. The operation has annual sales of $140m and employs 1,300 people. It has four plants in the U.S. and one in Canada.

The new company has also reached tentative agreement with Union Carbide's Canadian affiliate for the purchase of its welding and cutting systems.

Union Carbide decided to withdraw from the manufacture and sale of welding and cutting systems in North America late last year because the business "does not fit the portfolio of the corporation or the direction of its long-range strategic plans." The new company will continue to supply Union Carbide's overseas affiliates with materials and equipment.

Union Carbide's welding and cutting systems business in North America has been operated for many years as part of the Linde division. Linde, founded in 1907, is the leading producer of industrial gases in the U.S.

Union Carbide says that the sale of its welding and cutting business "will enable Linde to concentrate its resources in support of its rapidly growing gases business, including those gases sold to the metals fabricating industries."

● American Telephone & Telegraph, the U.S. telecommunications group, is maintaining its quarterly dividend of 30 cents on its common stock.

Gould transformation raises $55m charge

BY PAUL TAYLOR IN NEW YORK

GOULD, the U.S. industrial electronics group, said yesterday that it planned to take a $55m after-tax fourth-quarter charge to cover the costs of discontinuing certain businesses, including some operations of its former industrial, battery and electrical division in Europe and Mexico which will be sold.

The move marks one of the final steps in Gould's massive three-year asset redeployment programme, involving the sale of about $900m in assets. It has turned the company from a battery maker into a large electronics group manufacturing minicomputers, industrial automation systems, instrument systems, defence systems, semiconductors and electronic components.

Gould said the businesses being discontinued included its electrical controls operation, battery operations in France and Mexico, a bearings operation in Mexico, a heat-exchanger business in Norway and its domestic electric motor business.

Mr William Ylivsaker, Gould's chairman and chief executive, said the writedown, which relates to currency devaluation and operating losses from discontinued businesses, will allow the group to sell those assets. The group expects to receive about $100m in cash next year from these sales.

The proceeds of the sales will be used to repurchase shares and reduce debt. The group also announced yesterday that its board has approved the repurchase of up to 3m shares as part of a continuing repurchase programme. Gould has about 44m shares outstanding.

Mr Ylivsaker said: "With this conclusion of our sweeping three-year asset redeployment programme, we can now concentrate all efforts on the opportunities in our electronics business."

He said that Gould expected 1984 earnings from continuing operations to increase to about $1.95 a share from $1.75 a share in 1983.

U.S. bank dividends reveal new caution

By Our New York Staff

MANUFACTURERS Hanover Trust, the fourth-largest U.S. banking group, has increased its quarterly dividend by a cent, in what must be one of the smallest dividend increases in recent corporate history.

It announced on Tuesday its 11th dividend increase in as many years, raising its quarterly dividend by $0.01 to $0.80. The bank, which recently reported a 23 per cent fall in its third-quarter earnings to $1.69 a share, said that the increase was in line with its policy of small but steady increases in dividend payouts to its 33,000 shareholders.

U.S. bank regulators have been looking increasingly closely at bank dividend policies in recent months and have warned that they will act to constrain dividends if they conflict with banks' capital needs.

Consequently, there has been considerable interest on the level of dividend payments by the large U.S. banks.

In the first nine months of 1984 Manufacturers Hanover Trust's dividends accounted for 47.6 per cent of its available net income compared with 36.5 per cent in the same period last year.

FCA sells Disney stake and warns of fourth-quarter loss

BY PAUL TAYLOR IN NEW YORK

FINANCIAL Corporation of America (FCA), parent of the largest U.S. savings and loan association, has sold the minority stake it acquired in Walt Disney Productions earlier this year.

Mr William Popejoy, FCA chairman, said on Tuesday that the group expected to post a fourth-quarter loss because of the need to bolster its loan-loss reserves. FCA has been making some progress towards recovery in the wake of a near-collapse in August.

FCA said it sold 896,900 shares in Walt Disney, equivalent to about a 2.7 per cent stake, for $58¾ a share or a total of $52.7m. FCA said it took a $5.8m loss on the sale.

It did not reveal who the share purchaser was.

Disney's shares hit a high of $68½ earlier this year at the height of its lengthy and bitter battle with a series of unwelcome suitors.

The first of these battles was resolved when Disney paid a premium to buy out an 11.1 per cent stake built up by Mr Saul Steinberg for $325m, or a total of $77.50 a share including expenses.

A subsequent takeover threat from Mr Irwin Jacobs was averted when the Texas-based Bass Brothers came to Disney's rescue and paid Mr Jacobs $61 a share for his 6.9 per cent stake.

Late last month Disney announced a share-repurchase scheme and said it would buy back up to 3.5m shares, or 10.4 per cent of its outstanding common shares.

The Disney share sale is the second large equity portfolio sale by FCA. In August FCA sold a 7m share block, equivalent to a 4.9 per cent stake, in American Express.

The equity sales are part of a wider sale of assets undertaken by Mr Popejoy, who has begun to restructure the group. He said that FCA's total assets would fall below the $30bn level by the end of 1984, against $32.4bn at September 30.

In a Los Angeles newspaper interview Mr Popejoy said the fourth-quarter loss, which will follow a modest $1.23m net profit in the third quarter, would reflect the need to add to loan-loss reserves.

He said FCA's current $97m in reserves was not adequate to cover expected loan losses.

The expected fourth-quarter loss will add to the net loss of $78.4m posted for the first nine months.

Royal Bank of Canada in Brazilian swap deal

BY ANDREW WHITLEY IN RIO DE JANEIRO

ROYAL BANK of Canada is to take full control of a small Brazilian bank through a swap deal with Bank of America.

Under the terms of the deal, Bank of America will sell to Royal Bank of Canada its 50 per cent holding in Banco Internacional and receive Royal Bank's 49 per cent interest in Multibanco de Investimentos, an investment bank based in Rio Grande do Sul.

No value has been put on the transaction, which involves a cash payment as well as a share swap.

The deal permits Royal Bank of Canada to join the closed circle of foreign-owned banks with full control of a local retail banking operation. Despite considerable pressure from abroad, fresh entrants have been denied access to Brazil – except in minority positions – for more than a decade.

Other foreign aspirants have had to resort to backdoor routes, such as the purchase of investment banks and brokerage houses. In practice, many of the foreign-controlled financial institutions have been able to diversify and become practically indistinguishable from full-service wholesale banks.

This is clearly the hope of Bank of America, the leading U.S. bank without a significant presence in the Brazilian market. It has pulled out of a small, retail bank and transferred its interest to an investment bank linked closely to export finance, currently a big source of bank profits in Brazil.

Paris to act on complex shareholdings

By Paul Betts in Paris

THE FRENCH Cabinet yesterday approved a Bill designed to make large and complex shareholdings in French limited companies more transparent.

The legislation will also introduce stricter regulations on so-called cross-shareholdings whereby large blocks of a company's capital are held by subsidiaries of the same company.

The Bill was put forward by M Robert Badinter, the Socialist Justice Minister, at the Government's weekly Cabinet meeting yesterday. It is expected to go before the National Assembly and the Senate early next year.

The Government had been planning legislation to make large shareholdings in France more transparent and to restrict the practice of cross-shareholdings. Companies will now have to make public announcements through advertisements whenever they acquire a large stake in another group.

Daon returns to profit after restructuring

BY BERNARD SIMON IN TORONTO

DAON DEVELOPMENT the Vancouver-based property group which almost collapsed two years ago, earned net income of C$50.1m (U.S.$38m), or 82 cents a share, in the 12 months to October 31, compared with a C$35.7m loss, equal to 99 cents a share, a year earlier.

The sharp turnround was due mainly to an improvement in the California property market and the effect of a financial restructuring package signed by Daon and its creditors last May. Income in 1984 included a C$21.2m tax recovery.

Daon's revenue rose from C$483.1m to C$886.9m, partly reflecting the sale of three shopping centres in Alberta and a Philadelphia office block.

Under the refinancing plan, shareholders and creditors have foregone dividend and interest payments and the company has agreed to discharge much of its C$2bn debt by issuing new shares. Creditors will own up to 38 per cent of the company by October 1986.

The debt-equity ratio is currently around 7.2 compared with 37 a year ago. Mr Jack Poole, Daon's president, predicted recently that the ratio would drop to 5 by next October.

Daon was among North America's 10 largest property developers when the slump in the real estate market, an illiquid portfolio of assets and sharply rising interest rates forced it to ask lenders for financial assistance in mid-1982.

The company has trimmed its workforce from 900 to 150, but continues to invest in new developments. According to Mr Poole, it is now concentrating on the residential market in California.

General Mills declines 32%

By Our New York Staff

GENERAL MILLS, the diversified U.S. consumer products group, reported a 32 per cent drop in second-quarter net income to $55.6m. The group blames the disappointing results on sharply lower earnings from its fashion and speciality retailing groups.

General Mills last month announced big cuts in the workforce of its Izod sportswear unit in an effort to restore profitability. It reported sharp declines in sales at Izod, but said that its losses were substantially less than a year ago.

Mr H. B. Atwater, chairman, said that the second quarter earnings of $1.23 a share, against $1.71 a share, were below target.

For the first half of the group's financial year to November 25, General Mills' earnings were 29 per cent down at $109.7m, or $2.43 a share.

Voest-Alpine faces heavy loss

BY PATRICK BLUM IN VIENNA

VOEST-ALPINE, Austria's state-owned steel, engineering and electronics group, expects to make losses of Sch 2bn ($92.2m) in 1984, despite a predicted increase in turnover to nearly Sch 140bn.

The losses, down from last year's Sch 2.58bn, do not include those made by Vereinigte Edelstahlwerke (VEW), Voest's troubled steel subsidiary, which is accounted for separately.

The company has been trying to move away from traditional steel making and engineering into electronics. It is discussing with a prospective Japanese partner, the possibility of setting up a joint-venture electronics plant in Austria.

Negotiations are still at an early stage but, if successful, the deal would considerably enhance Voest's objectives in restructuring the group's industrial base.

Large deposit for Johnson Matthey bank

By David Lascelles in London

THE BANK of England has made a substantial deposit with Johnson Matthey Bankers, which it rescued from near-collapse over two months ago, to provide it with liquidity for its day-to-day operations.

Britain's central bank would not confirm the sum involved, but it is believed to be about £100m.

Although the deposit suggests that JMB has been having trouble funding itself normally in the money markets, the Bank said at the time of the rescue that it would stand behind all JMB's obligations. The latter's losses have not yet been fully calculated, but they are estimated at about £250m ($300m).

The deposit, made some weeks ago, came from the Bank of England's resources and is not strictly a call on public funds. The Bank also maintains that the deposit is a normal transaction between parent and subsidiary – the relationship in which it stands *vis-à-vis* JMB since taking it over.

The disclosure is bound to fuel concern in political circles over the commitments the Bank has made to JMB, however, particularly in the light of the inquiry launched by Mr Nigel Lawson, Chancellor of the Exchequer, into the system of UK banking supervision.

INTERNATIONAL COMPANIES and FINANCE

Post-war era ends with a whimper

THE MAX GRUNDIG era, which began with a bank in West Germany's post-war reconstruction period, has come to an end with a whimper. The report for the year to March 31, the last in which Dr Grundig had management control over the consumer electronics empire he founded, has now been made public. It shows turnover down by 9 per cent against the previous year to DM 2.78bn ($900m) and—more to the point—a loss of DM 286m compared with a profit of DM 65m.

The report had been expected months earlier, but was delayed because of difficulties between Dr Grundig and Philips of the Netherlands, which took management control from April 1, over the value of big stocks of unsold video recorders and television sets. The Dutch say they calculated a more "conservative" (they imply more "realistic") value, and that this alone accounts for around DM 100m of the loss booked for 1983-84. Other factors pulling Grundig into the red included fierce price competition, especially with the Japanese, and the expense of new product development and *rationalisation*.

The results are widely seen as a sad final chapter in the professional life of a man, now aged 76, whose name has been a byword for entrepreneurial dynamism and product quality for nearly four decades. Starting from a primitive radio repair workshop in Füerth (near his birthplace, Nuremberg) in 1945, Dr Grundig built an international concern which at one time had around 40,000 employees (it now has fewer than 25,000), and in 1982-83 pushed turnover over the DM 3bn mark. In the post-war years, Grundig factories produced more than 27m radio sets, 22m television sets, 16m audio tape and cassette recorders, and around 2m video recorders. The founder has been showered with international awards. Why then did he and his company hit trouble?

Senior employees able to observe Dr Grundig for years draw a picture of a man whose weaknesses were the mirror image of his remarkable strengths. One source describes him as having an uncanny, intuitive ability to spot what the market would want next, combined with a deep personal interest in produce development. "He does not just touch his products," the official said revealingly, "he strokes them."

Most of the time these qualities paid off handsomely but it was a different matter when, despite the technical excellence of the product, the market did not react as expected. This was the case with the V-2000 video cassette recorders, developed jointly by Grundig and Philips but checked, above all in non-European markets, by the popular Japanese VHS system. It was, not least, the big stocks of these cassette recorders which led to the valuation problem this year between Grundig and its new Dutch managers. Grundig is now producing recorders of both systems and insists it will not drop the V-2000. But despite the high quality of the new Grundig VHS machines, confirmed in independent tests, the Japanese have more than a head start.

Employees stress that Dr Grundig has a quite unusually dominating personality, which was fine when his decisions were right (as most were) but meant there was little check when they were wrong. In recent years, a stream of top managers has come and gone at Grundig. Some were themselves tough customers who almost inevitably clashed with the founder.

At least one sought to pay lip service to Dr Grundig's proposals while pursuing a different course in practice. He did not last long. "The Alte (the old man) was really looking for someone as good as he is," a senior Grundig executive said. "But of course he didn't find one!"

Now Philips has the management say, although it has only 31.6 per cent of the capital of Grundig AG. The Grundig Stiftung (foundation) and members of the Grundig family still have a majority of the shares. But in coming years this will be cut to 49.5 per cent, with the rest then in the hands of Philips and a bank consortium.

That this arrangement could be agreed is thanks mainly to two people. One is Dr Grundig himself who, with a heavy heart, realised that his business would have to link with a group active in other sectors besides consumer electronics if it was to face the Japanese threat. The other, perhaps surprisingly, is Herr Ludwig Poullain, former head of the Westdeutsche Landesbank (West LB).

Herr Poullain became adviser to Dr Grundig about two years ago, and is said to be one of the few who can really stand up to his often explosive employer. Herr Poullain not only helped

Dr Max Grundig

push through the original deal with Philips, but in recent months has shuttled tirelessly between Fuerth and the Philips headquarters in Eindhoven to sort ou the knotty preblem of stocks evaluation.

The result is a compromise in which the Grundig Stiftung and Philips will share the 1983-84 loss (though it is not revealed who will pay what sum). Dr Grundig, meanwhile, has a large office in a building close to the Grundig AG headquarters, but some observers feel he may move a bit away before long. "It can't be easy for him to see his life's work so close, but beyond his control," a Grundig official said.

Kronebanken blames merger

COPENHAGEN – Mr Ole Retoft, chairman of Kronebanken, said yesterday that the Danish bank's financial problems might partially be a result of difficulties in rationalising the two banks from which it was formed last year.

Four banks offered guarantees of DKr 500m ($45m) to cover losses at Kronebanken, the seventh largest in Denmark, after bank inspectors said its net capital was not intact because of financial losses and risky commitments.

Kronebanken was formed from a merger of the Frederiksborg and Zealand banks. Mr Retoft said that division of work and offices could give some explanation for the crisis.

Financial analysts have linked the bank's problems to plummeting bond prices, rapid growth and the effect of the rising dollar on foreign loans.

They also point to the bank's backing for Flexplan, a company which has DKr 700m worth of hospital construction contracts in Nigeria, although Flexplan has said that despite delays the project would show good profit this year.

Mr Retoft said, however, that all banks were hit by the fall in prices.

$50m charge for LTV

BY WILLIAM HALL IN NEW YORK

LTV, the U.S. conglomerate which recently took over Republic Steel, is taking a $50m charge in the fourth quarter as part of a further rationalisation of its loss – making drilling equipment manufacturing operations.

The group – one of the largest suppliers to the oil and natural gas drilling industry – is consolidating its international energy products and drilling equipment divisions to focus marketing, engineering and manufacturing, to take advantage of growing foreign opportunities.

The $50m provision relates to estimated losses on the disposal of certain drilling-related assets, including inventories and facilities.

Norcem and Investa settle bid struggle

BY FAY GJESTER IN OSLO

A TAKEOVER struggle involving two leading Norwegian companies, Norcem and Investa, has ended with a deal between them that could leave Investa with a NKr 180m ($20m) profit. Both were again quoted on the Oslo bourse yesterday, after having been suspended, on and off, for ov rea week.

Norcem makes cement and building materials and has interests i n offshore activities and shipping (through its recent acquisition of Nordenfjeldske, a Norwegian ship and rig-owning company. Investa is a Bergen-based investment group, closely linked with the Vesta insurance company, which controls, Navare, a loss-making shipping company, Elektro Union, a medium-sized industrial company, a textile manufacturer, and a Bergen department store, as well as holding stakes, for investment purposes, in a variety of other companies.

The agreement between Norcem an d Investa stipulates that Investa — which has recently increased its stake in Norcem from 19 per cent to around 33 per cent — will buy no more Norcem shares without the consent of the Norcem board. Over the coming six months the boards of both will consider whether any permanent link between their various offshoots is feasible and attractive to both parties.

It not, Vesta will sell all its Norcem shares to a buying group, mobilised by Norcem, at a price of NKr 330 per share. This is about NKr 30 more than the market price before the shares were suspended. Moreover, the transaction will be backdated to January 1, 1985, and the buying group will pay Investa 13.5 per cent interest on the purchase sum.

If Investa sells out, it will net an estimated NKr 180m. Mr Johan F. Odfjell, Investa's managing director, says this "windfall" must be seen against the background of "all the year" in which Investa has received a relatively low return on its large stake in the concern.

The buying group which has undertaken to acquire Investa's Norcem stake if necessary, includes Storebrand Norden, Norway's largest insurance concern, and about seven other Norwegian companies, as well as Euroc, Norcem's Swedish sister company, and a Spanish company which has links with Norcem.

Advance by Amatil

By Lachland Drummond in Sydney

AMATIL, the 40 per cent-owned Australian food, drink and tobacco offshoot of BAT Industries of the UK, pushed up second half net earnings by 20 per cent to register an overall 9 per cent improvement in profits to A$53.5m (U.S.$44.8m) for the year to October 30.

With the sale in March of the Fibre Container box division and sharply lower turnover from the meat division group sales declined by 5 per cent to A$1.54bn.

The dividend total is up from 21 cents to 22 cents from earnings per share of 56.5 cents, against 51.6 cents.

Woodside Petroleum in talks on refinancing US$1.4bn facility

MELBOURNE — Woodside Petroleum said yesterday that it has begun talks to refinance the company's U.S.$1.4bn facility used to finance its share of the North West Shelf liquified natural gas (LNG) project.

The talks have begun with Morgan Guaranty for a loan facility of $1.8bn to $2bn to refinance the facility that Morgan Guaranty syndicated for Woodside in 1981 with 62 international banks.

The company said the loan, which is expected to be renegotiated by March, is for contingency purposes and the company would not need to draw down any of the facility for several years.

Woodside said available funds total nearly $1bn including $400m of undrawn funds from the initial loan package and $320m it will receive after shareholders approve an ownership restructuring that will reduce its share in the project from 50 per cent to one-sixth.

Under the agreement to be voted on Thursday, Woodside will become equal partners with Broken Hill Proprietary (BHP), Shell Australia, BP Developments Australia, California Asiatic Oil, and a joint share by Mitsubishi and Mitsui.

Plans for the project, which is located off the Northwest coast of Australia, call for it to supply eight power and gas utilities in Japan with up to 6m mertci tons of LNG a year from a target date of 1989.

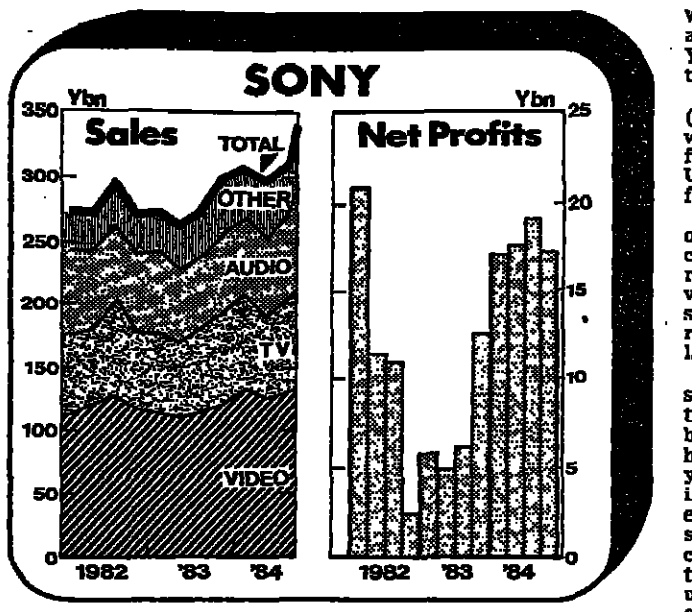
AP-DJ

Sony more than doubles group net profits

BY YOKO SHIBATA IN TOKYO

SONY CORPORATION yesterday announced more than doubled group net profits for the year to October. Mr Kimio Okura, whose plans to retire as managing director from January 1985 were also announced, said the result meant that the consumer electronics major "has finally reached the stage of normal and stable earnings."

The group's profits for the year totalled Y71.4bn ($289m) compared with Y29.8bn in 1983. Sales were also ahead strongly, to Y1,262bn from Y1,111bn previously. The record profits "have given us considerable confidence," said Mr Okura. Net profits per American Depositary Receipt (ADR) advanced to Y309 from Y129 and the parent company has announced a final dividend of Y22 per ADR for an unchanged total of Y44 for the year.



Sony's impressive earnings performance was mainly due to a sharp rise in its overseas sales—especially to the U.S. For the year as a whole net overseas sales accounted for 72.6 per cent of turnover; for the fourth quarter alone foreign sales accounted for as much as 76.3 per cent of the total, one of the highest quarterly levels ever.

However, sales within Japan grew far more slowly, by only 7.3 per cent for the year (in the final quarter they showed only a tiny increase over the third quirter). In Europe sales actually fell by 5 per cent to contribute only 14 per cent to the group's turnover, confirming the area as one of Sony's weak spots.

In terms of the four main product divisions—video, televisions, audio, and other goods—there were increases across the board. Especially pleasing for Sony were the continuing good sales of its Metamax format video cassette recorders (VCRs) which rose 8 per cent in value term and 11 per cent in volume—although this rise was not enough to stop the group falling 300.000 short of its initial target of 2.8m units.

Sales of the video division, which includes VCRs, were ahead by 12 per cent overall to Y511bn—40.5 per cent of the total.

In its television division (colour sets and monitors) sales were up 11.2 per cent to account for 23.6 per cent of the total. Unit sales of sets rose to 3.15m from 2.7m.

The audio division enjoyed one of its best results for a couple of years thanks to a revival in demand for the new variants on the Walkman personal stereo systems—units sold reached 4m compared with 2.6m last year.

Also contributing to the strong audio division result (in the last quarter its sales rose by more than 28 per cent to the highest level for a number of years) was the growth of interest in compact disc players, especially the group's low priced system launched in August. The company plans to boost production of CD players from 150.000 units to 500,000 units during the current year.

In the group's non-consumer division strong sales of floppy disc drives and discs plus the outside marketing of some of its specialised semi-conductors helped bring about a 28 per cent rise in sales so as to contribute a record 14.3 per cent of turnover.

The group has a long-term plan to boost sales of this division to half of its overall turnover and si relying on both its very successful 3½ inch floppy disc and drive unit plus its semi-conductor sales to help bring this about.

Also benefitin gthe group's net profit was the Y5.3bn gained from the sale of 1m shares in its previously fully-owned subsidiary Sony Magnescale. However, the parent company reported a loss of Y2.4bn arising from a 50 per cent devaluuation of its investment in its wholly owned UK unit, Sony (UK).

Capital investments in the last year were Y80bn and for the current year the group is planning to spend Y100bn (including Y40bn in semconductors).

For the year to October 1985, Sony is being very cautious. The signs of an economic slowdown in the U.S. have led it not to make a specific forecast, although it is expecting to improve o nthis last year's result.

See Lex

Bombay link for Lazard

By John Elliott in New Delhi

LAZARD BROTHERS of London is linking up with a new Bombay-based merchant bank, Credit Capital Finance Corporation, to provide banking and financial advisory services in India.

The UK merchant bank is involved in a wide range of project financings in India and will co-operate with Credit Capital which has been set up by Mr Udayan Bose, former regional director in South Asia of the European Asian Bank.

The relationship will be closer than Lazard's links with its representatives in other parts of the world and might develop into a full equity partnership.

Downturn for Singapore banks

BY CHRIS SHERWELL IN SINGAPORE

AT LEAST 30 per cent of Singapore's 71 offshore banks lost money in 1983 and practically all showed a minimal or negative return on assets, according to a survey published by Peat Marwick Management Consultants.

The survey is the most authoritative indication yet of the difficult business conditions for banks in Singapore, the centre of the Asian dollar market. Some bankers say 1984 may prove worse.

The survey analysed figures for 176 out of 207 financial institutions and found that 82 reported lower net profits in 1983.

The offshore banks were worst hit. Of the 54 for which figures were available, 21 reported losses and 31 a worse oerformance than in 1982. The biggest losses were reported by Bank of New Zealand, Societe Generale of France, and Lloyds Bank International of the UK.

Merchant banks also suffered. Figures were available for all but of the 51 operating in Singapore. Nine showed losses and 18 did less well than in 1982.

Of the 13 local banks, only the International Bank of Singapore reported a loss, and the bank was taken over during the year. All 34 local finance companies showed a profit, although 10 reported declines.

Out of 24 foreign banks with full licences and 14 with restricted licences, five reported losses.

The survey says financial sector growth in 1984 will moderate because of the weakening domestic property market and the sluggish world economy. Uncertainties over the international debt problem also "cast a dark shadow over prospects of steady growth."

Latest Government forecasts indicate that the financial and business services sector will show real growth of about 11.2 per cent in 1984, down from last year's 16.3 per cent.

Property and share sales boost earnings at Wearne

BY OUR SINGAPORE CORRESPONDENT

WEARNE BROTHERS, which is part of the large Oversea-Chinese Banking Corporation stable of companies in Singapore, has reported a near trebling of attributable profits thanks to property and investment sales.

After-tax profits for the year to September were actually down by 10.8 per cent at S$6.32m (U.S.$2.9m), despite a 33.6 per cent increase in turnover to S$98.7m and a 10.7 per cent rise in investment income.

However, asset sales contributed extraordinary profits of S$29m against the previous year's S$5.7m, and brought attributable earnings to S$35.57m compared with S$12.8m for 1982-83.

The group says its overall performance was hit by adverse trading results from its heavy equipment and engineering divisions and by initial expenditure on new high-tech activities, but it expects improvements this year. The company holds numerous international franchises for vehicles, equipment, and machinery.

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PER 18 DECEMBER 1984

	Today	INDEX Last week	% Year's High	Year's Low
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DM (Foregin Bond Issues)	7.12	7.07	7.90	7.07
HFL (Bearer Notes)	7.04	7.07	7.90	7.07
Can$ Eurobonds	12.58	12.52	13.96	12.43

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JOBS COLUMN

A case of dropping lucky, without knowing it

BY MICHAEL DIXON

HERE'S A cheering tale to mark the last Jobs Column until the new year. I tell it because the old one has seen important changes in the life of a 27-year-old I know.

Foremost among them is that he has persuaded a splendid young woman to marry him. But another—which provides the story—is that he has found and made big strides in a challenging new line of work.

His education which, in terms of examination passes at least, was disappointing led to a couple of lowly jobs which he could not see offering him a fair chance to make a career for himself.

Increasingly depressed that his working life was getting him nowhere, he decided to pursue his side interest in things military by trying to get into the part-time paratroops.

It is the fact that he succeeded which probably more than anything gave him the confidence to take the new job in which his success depends primarily on his own initiative and worthwhile earnings entirely on commission. As well as persuading people to use his company's services, the job requires him to find out what potential customers want and do his damndest to see they get it. So he is inclined to look on what he does as marketing.

Acquiring the new confidence was no doddle for him. Readers who watched the recent television series in Britain on the selection and training of paratroops will know how few of those who start the course survive it to win the Red Beret. But the men in the TV series were would-be regulars in full-time training who must surely be under a stronger external psychological drive to succeed than are part-time candidates. The drop-out rate among them, I gather, is over 90 per cent.

Some of the trials they are faced with, which would be worrying to anybody, are even more so for people nervous about heights who, as it happens, include the young man concerned. *He freely admits* that his dislike of heights would almost certainly have disqualified him if he had not always been chosen as the first trainee in the whole bunch to attempt the crucial tests which take place high off the ground.

Taking first go, and therefore having previously seen only an expert instructor show that the task was perfectly possible, he found that his screwed-up courage was enough to get him through. But has nerve would probably have failed, he thinks, if he had been made to wait and watch fellow trainees he knew and respected finding themselves unable to bring themselves to jump from the tethered baloon for their first proper parachute drop, for example, or getting into dire trouble during the final assault course which has to be run at tree-top height.

All of which will help to explain why something he said caused general puzzlement among his non-paratrooper friends in a conversation around a pub table not long after he got his Red Beret. After getting him to describe some of the things he'd gone through, the rest of us all confessed to feeling terrified even when standing on the rung below the rung below the top rung of a short domestic stepladder.

Whereupon the young man *said*: "Yes, *I'm exactly the same*. I've got a head for heights too."

Those last words created a confused silence, broken by somebody asking what he meant by them.

"I said I'm scared of being up in the air," he replied. "I've got a head for heights. They mean the same thing."

The rest of us of course immediately objected that they in fact meant precisely the opposite. Although it took a fair time, we eventually persuaded him that we were right. He then fell silent before murmuring:

"So that's why I got through."

Here we should remember that the reason he passed the tests taken high off the ground was that he was always picked as the first trainee to take them. How that came about was this:

In each case, after an instructor had done the demonstration, the sergeant in charge said: "Right then, let's have somebody to take first go. Who's got a head for heights?"

Whereupon the young man immediately stuck his hand up. And was instantly ordered: "Up you go!"

Until that moment at the pub table when he realised that he had always been 180 degrees out in what he thought was the meaning of a common or garden phrase or saying, he had imagined that he'd been sent up *first* because the paratroop instructors concerned were somewhat sadistic.

Being enlightened to the true reason, and the knowledge that the result gave him the confidence he needed to go out and start making a satisfying career for himself, have left him marvelling at how lucky he has been.

But I'm inclined to view what happened in his case along with numerous other comparable events I know of as backing for a particular belief. It is that there somehow exists a strange sort of luck that can come disguisedly to people who need it; but that it tends to do so only if they first break out of their depressions and do something positive -- deserve it.

It would be hard to find a better Christmas wish on behalf of the many young people held back by the dearth of promising job-openings, than that in the coming year they'll be able to do something which brings them the same luck that went to the young man in question—whose name, by the way, is Marcus Dixon.

Continent

CONSULTANT John Williams seeks up to five treasury and forgeign exchange consultants to work for a U.S.-owned bank in what he will describe only as "a European city with taxes and accommodation costs markedly less than those in the UK." Since he may not name his client he—like the other recruiters still to be mentioned—promises to abide by any applicant's request not to be identified to the employer at this stage.

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Which said—compliments of the season! See you again, I hope, on January 10.

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BUSINESS LAW

U.S. court's chance to withdraw from interference in British sovereignty

By A. H. HERMANN, Legal Correspondent

JUDGE Harold Greene, of the U.S. District Court in Washington, will decide today whether British Airways and British Caledonian Airways should be allowed to talks to the British Government. I cannot read the Law Lords' minds—not always, anyway—but I have a strong suspicion that they are not quite happy with this consequence of the unanimous judgment* delivered by them in the Laker case on July 19.

Avoiding any interference with the application of U.S. antitrust laws, the House of Lords ruled that British courts had no power to stop the trustee of Laker Airways from seeking treble damages against the two British airlines in the U.S. courts. He was alleging that there was a conspiracy to drive Laker out of business, mainly by lowering fares below break-even point.

Judge Greene repaid the courtesy by prohibiting, on October 9, the two British companies *from "taking any steps* in a foreign court, *or otherwise,* that would in any way impair or otherwise interfere with the jurisdiction of this court...." As any action in the UK courts is precluded by the Lords' judgment, the crucial words of the injunction are "or otherwise." That means the two British airlines are prohibited by the U.S. court from petitioning the British Government, or providing it with information, less that result in interference in the U.S. courts' jurisdiction by legislation, orders under the Protection of Business Interests Act or diplomatic intervention.

The submissions made to Judge Greene on behalf of the two airlines, asking him to remove the two offending words from the injunction run to many thousands of words. Yet the issue is simple: the House of Lords found the prohibition of Laker's trustee from suing British companies in a foreign country to be exorbitant, but the U.S. District Court found it quite proper to stop these companies from dealing with their own government in their own country. It is an extraordinary interference by a court of law in the political life, constitutional freedom and sovereignty of another country.

Instead of writing books to show that Judge Greene overreached himself both in terms of international and U.S. domestic law, one can ask simply: what would he say if an English court prohibited a U.S. company, in dispute with another, from turning to U.S. courts or lobbying the administration and Congress in pursuit of executive action or new legislation?

One of the less absurd *arguments* advanced on behalf of Laker — though it is absurd enough — is that a restriction preventing Laker from pursuing a treble damages suit would be "an extraterritorial expropriation of Laker's property." It is not rather the punitive suit seeking three times the *alleged damage which should be* described as extraterritorial expropriation?

No government can take it lightly if the courts of a great friendly power presume to interfere in its political life by stopping its communications with its citizens. This is a matter of general importance, even if in this particular case the British Government hardly needs prompting to remove, if it can, what is a serious obstacle to the privatisation of British Airways.

> A U.S. judge will today decide whether to discharge or modify his order that BA and BCal must not communicate with the British Government lest this interfere with his jurisdiction in the Laker antitrust action

That this obstacle, though distant, looms large — it may take years before the parties overcome the interlocutory hurdles on the way to the trial —came as a surprise to many who thought that President Reagan's order, terminating the North Atlantic anti-trust criminal action against BA was bound to influence the "civil" proceedings before Judge Greene.

Quite the opposite seems to be the case. First, the U.S. Department of Justice has made it known that it found no *interference by competitors in* Laker's attempt at a financial rescue. Second, the investigation of air fares revealed that Laker was a party in price-fixing agreements which the Department of Justice might view as a criminal conspiracy. Indeed, the whole affair now looks very much like a price cartel which fell apart, leaving Laker in the lurch. The suspension of the grand jury therefore relieves Laker of the risk of being prosecuted for these price agreements while leaving the other companies to face *private prosecution.*

At this point the reader may say, and rightly, that if Laker was involved in such price-fixing it was only to hold off the wrath of its big-winged sisters which never wanted it to get the Skytrain licence and viewed its price-cutting strategy with growing distaste. Laker was outdoing Britis hAirways in the number of passengers carried on the North Atlantic route.

,It is only a short step from recognising the merit of Laker's breakthrough towards cheap mass air transport to saying that we should be grateful to Judge Greene for enforcing competition in the UK in spite of the Government which professes, but does not protect, it. However, this short step is full of dangers.

To speak about the need to respect sovereignty and about extraterritorial legislation is to use a lot of long and foggy words for saying that citizens and businesses need to know where they stand and whose laws they should obey. They may dislike regulation, as does Laker, or antitrust laws, as the established airways do, but all will suffer if subjected to two legal systems, one of which obliges them to adhere to a price cartel, while the other punishes them for doing so.

Those who rightly think that *the UK could do with more com*petiton should give up any hope that U.S. courts will enforce it without causing great havoc in the British economy. The uncertainty of law brought about by applying more than one legal system to the same people might prove too high a price to pay for this service.

This is further complicated when the institutions administering one of these two systems of law are at loggerheads about what is allowed and what is not, and even about what is *desirable in the interests* of their country. Such is the case with U.S. antitrust. The Congress, the courts, the executive, and within the executive the various departments concerned, each seem to speak a different language.

President Reagan may want to pacify the British Government and so disbands the grand jury hearing the Laker case. The foreign policy concern which he expresses in doing so may well be a matter to be taken into account by the court hearing the treble damages suit. To this end it would be necessary for the Department of Justice to file an *amicus curiae* brief, telling the court of the administration's concern.

However, the Department of Justice will do nothing of the sort: its officials are fuming that the President has deprived them of a lovely grand jury case. Moreover, they would be rather damned than please the State Department. And even if they did the unexpected, Judge Greene would be most unlikely to comply, resenting such executive interference in the *separate* and *independent* power of the courts.

It is 75 years since that great U.S. judge, Justice Oliver Wendell Holmes, wrote† that the Sherman Act, theb asic U.S. antitrust statute, was "confined in its operation and effect to the territorial limits under which the (Congress) has general and legitimate power."

But that is much too simple. The present inconsistency of U.S. law and policy is much better for the lawyers. Their advice is never so much in demand as when none can really be given.

**British Airways Board v Laker Airways Limited and Others, FT Commercial Law Reports July 24 1984; FT Business Law Brief August 1984, p 7; see also this column July 26 1964.*

†American Banada Co v United Fruit Co. 213 U.S. 347 (1909).

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Sales slump and write-off hit Westland

Westland has suffered from continuing low levels of demand for helicopters in the year ended September 30 1984, and the resulting profit downturn was exacerbated by a £14m exceptional provision in respect of civil aircraft programmes. The pre-tax outcome was drastically reduced, from £26.09m to £2.75m.

Before the exceptional item — made against inventory to cover "possibly lower realisations and delayed sales of the Westland 30 helicopter" — the helicopter and hovercraft division showed a decline in profits from £20.08m to £7.27m.

This reduction by far outweighed the improvement in the group's other division, technologies, which lifted profits from £7.18m to £10.2m, against before taking into account the exceptional items.

The figures came out after a substantially higher interest charge of £6.54m against £2.61m. The directors explain that the group needs to have a high level of inventory of Westland 30 components in order to match market requirements for short delivery times. Hence the neeed to build up inventory and therefore incur an increased interest charge.

There was also a much higher below-the-line provision of £5.73m against £850,000. This includes a provision for the termination of the original Airspur operation in Los Angeles. The Airspur company has rented the Westland 30 helicopters to another operator there.

The provision covers all known and potential costs of this restructuring and does not take account of any insurance claims. The aircraft were grounded by the U.S. authorities for nearly three months in 1983-84.

Group turnover was down from £325.98m to £296.25m, with the divisional split showing a £34.65m decline to £216.88m in helicopters and hovercraft and a slight rise in sales of the technologies group, from £78.39m to £81.71m. Consolidation adjust ments made for a deduction of £2.34m against £3.93m.

The directors state that steps have been taking to reduce factory activity to match the currently lower demand for helicopters, and a provision of £2.8m for redundancy has been included in general expenses of £9.45m (£5.72m). Turnover for product support for helicopters was £83m, and this is expected to be around £100m in cash of the next two years, they add.

In the technologies division, particularly in Normalair-Garrett, turnover is expected to continue its upward trend over the next two year periods.

Research, development and launching costs came to £19.41m for the year net of launch aid, against £18.96m.

The total order book at the end of the accounting period stood at £756.5m, including the development orders in relation to the EH.101 project. Activity in the engineering department is at a record level, and will continue so for several years, the directors state.

As regards current orders, they say that since the end of the year, the group has received firm orders for two Lynx helicopters from overseas, and a letter of intent for three Sea Kings; they expect to receive orders from the Ministry of Defence for nine Sea Kings shortly.

The company is close to finalising a contract with the Oil and Natural gas Commission of India for 21 Westland 30s, and the directors expect the contract to be effective next year, after scheduled confirmatory trials now in progress in India. There is a welcome interest in, and inquiries for, the Westland 30 in its normal version and in its VIP version, according to the directors.

Commenting on the aircraft, they say that "the Westland 30 is proving to be absolutely sound in concept and as a basic machine. There are good reports from the U.S. where it is in operation in a commuter role. The VIP version shown at Farnborough prompted much interest and a number of enquiries. The development of later versions is proceeding satisfactorily."

Contracts for the development of the EH.101 were finalised in July 1984. A recent market survey confirms the market estimates made two years ago. Potential operators of the EH.101 have shown "enthusiastic interest" and group designers are closely in touch with their requirements.

The arbitration proceedings in Geneva arising from the termination of the Arab Organisation for Industrialisation in 1979, and the consequent cancellation of contracts providing for 250 Lynx helicopters have proceeded to the stage where Westland has lodged a detailed claim. Discussions for an amicable setlement with the Kingdom of Saudi Arabia and others continue. Further details will be given in the chairman's statement.

There was a tax credit for the period of £772,000 (charge £5.18m), and minority interests took £2.43m (£1.7m).

Before the extraordinary item, earnings per share are shown at 1.9p (32.4p). With allowance for the exceptional provision and after tax the group quotes its earnings per share at 14.4p (32.4p).

Sir Basil Blackwell, vice chairman and chief executive of Westland

The dividend is held at 8.25p net per share for the year with the payment of an unchanged 5.25p final.

A transfer of £11m has been made from the development reserve, which was set up in 1960 and substantially increased in 1980, to provide for the special additional development expenditure which was foreseen as necessary for the group's long-term future.

Lord Aldington will be retiring as chairman next February. Sir Basil Blackwell has been elected to serve as chairman from that date.

See Lex

Nottingham concedes defeat over Johnson

By Ray Maughan

THE £53m cash offer for Johnson Group Cleaners lapsed yesterday when, rather than use the final extension period to Sunday, Nottingham Manufacturing conceded defeat with acceptances of 24.88 per cent on the ordinary share capital, 20.9 per cent of the employees' equity and only 11.3 per cent of the preference stock.

The bid had been closely fought throughout and for the first time Johnson was faced with a bid which cleared the attentions o fthe Monopolies Commission.

Previous bids from Sketchley, Initial and Sunlight Services Group had all fallen previously at that hurdle but Nottingham, a major knitwear supplier to Marks and Spencer, and seeking what it saw as a major retailing diversification, was left to fight on price alone.

At a revised 440p cash bid per share, Nottingham needed an effective 60 per cent of the voting equity, allowing for the intricacies of Johnson's employee share transfer structure and the ...ownership of the preference stock, 20 per cent controlled by Johnson's pension fund.

Johnson was at pains to stress yesterday that, while the vote on the employee share voting rights might have been lost on a simple majority, the employees themselves voted overwhelmingly with the board and, in any case, the resolution needed 75 per cent.

Johnson's chairman, Mr John Crockatt, a veteran of all these big campaigns, said yesterday that the group would be absorbing the lessons offered by the institutions' apparent opposition to the employee scheme, but he pointed out that however the big funds might have voted at that particular meeting, the majority of shareholders clearly endorsed the incumbent operational management.

Nottingham retains a stake of 11.2 per cent in Johnson and given its avowed adherence to just one diversification avenue—through Johnson—the market is expecting the textile group to remain a long-term and critical observer of Johnson's progress, particularly in the U.S.

The City Code precludes any new Nottingham bid for 12 months.

John Waddington siege lifted as Maxwell sells stake

BY CHARLES BATCHELOR

MR ROBERT MAXWELL yesterdaya cknowledge the defeat of his 18-month campaign to take over John Waddington, the games and packaging group, with the sale of his remaining 18.8 per cent stake in the company.

Mr Maxwell's second takeover bid for Waddington — worth £44.2m—failed last week, but he still retained a holding of 23.3 per cent which, the Waddington board feared, might form the basis of a third attempt.

Grieveson Grant, the stockbrokers, yesterday placed 1.64m shares of John Waddington with a wide range of institutions at a discount of about 2 per cent to the market price. Over the past few days Mr Maxwell had sold small parcels of shares through the market.

Mr Victor Watson, Waddington chairman, said: "By and large this is very good news for us. It means the seige has been lifted after 18 months."

Wadington remains suspicious of Mr Maxwell's intentions, however, and will comb its share register for nominee names when the new owners are recorded in two to three weeks time, Mr Watson said.

Wadington is also checking to see if the entire Maxwell holding had been sold. Shares were held both by British Printing and Communication Corporation (BPCC), Mr Maxwell's publicly quoted group, and his private Pergamon empire. Yesterday's statement referred only to the saleo f the BPCC holding.

Henry Ansbacher, BPCC's merchant bank, said, however, that yesterday's sale of shares represented the closing of the chapter as far as BPCC and Pergamon were concerned.

Assuming a 2 per cent discount to Waddington's opening price of 455p, Grieveson placed the 1.64m shares for about 446p each or a total of £7.3m. This would give Mr Maxwell a profit of more than £3m based on an average purchase price of around 257p per share.

Mr Robert Maxwell, chairman

The sale of the entire Maxwell holding, if it is confirmed, means Waddington will not go ahead with its probing into the ultimate ownership of the Pergamon companies, which are based in Liechtenstein. Waddington remains dissatisfied with Mr Maxwell's explanation of their ownership.

It also removes the need for negotiations between Henry Ansbacher, and Kleinwort Benson, acting for Waddington, over the placing of these shares.

It might have proved embarrassing for Kleinwort to be involved in placing this holding at current Waddington share prices in the light of last week's placing with "friendly" institutions of a 14.6 per cent stake held by S. G. Warburg for discretionary clients. This stake was placed at 507½p-7½p above the BPCC offer of 500p—and well above Waddington's recent share price levels. Waddington's shares rallied 15p yesterday however to 470p.

Lovell up 41%—£7m purchase

Y. J. Lovell (Holdings), building contractor, pushed taxable profits up by 41 per cent for the year ended September 30 1984 and announces the acquisition of Chartre Homes, a private house builder, for £7.2m.

The directors say that plant hire produced excellent results and general construction maintained profitability. The performance of these divisions, together with a modest improvement in timber, more than offset a reduction in profit from commercial development and combined to lift the group's pre-tax figure from £4.56m to £6.42m. Turnover expanded by £39.5m to £209.13m.

Residential development division attained substantially higher profits, help by a significant contribution from the recently acquired Essex and Suffolk Properties.

The present year has started well and directors believe the group will ocntinue to prosper.

Earnings per 25p share were up from 22.6p to 25.8p and the total distribution for the 12 months amounted to 6p (5.2p) with a final dividend of 4.6p.

Commenting on Charter acquisition, directors say it provides Lovell with a substantial presence in Northamptonshire and enhances its existing private building activities in the rest of the Midlands and the Bristol area.

Charter's principal assets comprise land with planning consent held for development, together with work in progress. The land bank consists of some 950 plots with a further 200 under contract or option. Charter is selling about 400 houses per year.

Charter turnover in the five financial years ended March 31 last has risen from £5.7m to £13.9m and profits before tax from £871,000 to £1.65m.

Turnover and profits in the six months to September 30 1984 were £7.7m and £929,000 respectively. Net tangible assets at that date, excluding certain subsidiaries not acquired by Lovell, were £6.7m.

Consideration will be satisfied by the issue of 2.55m Lovell ordinary shares and the issue of £1.8m variable rate unsecured loan stock 1985-88. Some 2.53m shares are being placed on behalf of the vendors with a number of financial institutions. Further sums unlikely to exceed £250,000 in total, may become payable in certain circumstances, it is stated.

Group profits for the year were after associate losses of £50,000 (nil) and were subject to tax of £1.71m, compared with £663,000. There was an extraordinary credit of £46,000 (£267,000 debit).

Shareholders' funds at September 30 totalled £39.6m (£35.9m) equal to 201p (209p) per share.

● comment

Even stripping out an estimated £700,000 first-time contribution from Essex and Suffolk properties, Y. J. Lovell managed a 25.5 per cent rise in taxable profits, a creditable performance in a difficult sector. Selling prices are rising only gently in the housebuilding division, but volumes are buoyant—a background against which it clearly makes sense to seek growth through physical expansion. Charter Homes fits that bill well, while at the same time linking neatly with Lovell's existing operations in the Midlands and taking it into new territory in Northamptonshire. General construction profits were level, with the year-end order book static at £130m-£140m and little prospect of growth in the current year. Commercial development was unsurprisingly down in the absence of any major deals, while plant hire performed well, especially in the south. Despite the vendor placing the shares rose 2p to 220p, where the yield is a fraction short of 4 per cent.

Security Centres holders still waiting for talks

BY RAY MAUGHAN

LEADING shareholders in Security Centres are still awaiting to discuss management changes, financial requirements and future direction with the burglar and fire alarm installation group.

Security Centres announced earlier this week that it would be seeking a meeting with large shareholders on all these points following the resignation on Tuesday this week of Mr Brian O'Connor, the chairman for the last two and a half years.

The group announced yesterday that it has campleted the acquisition of the privately-owned Defence Systems International, as previously indicated, but there was no mention whether the group would exercise its option to acquire a loss-making machine gun manufacturer, Sterling Armaments.

The option expirse at the end o fthis week and it is understood that the outcome will be watched with particular interest by important buyers in the Middle East.

The initial consideration is £1m which involved the issue of 645,121 ordinary Security Centres shares and, given the projection of the strong profits in the next few years, an additional consideration is likely. Defence Systems net protfis for the year

Major shareholders in Security Centres will be watching the outcome of the drive to recruit new management, particularly the drive to recruit new management, particularly the appointment of an indepedent, non-executive director, and although the elading holders are thought to be happy with the sums to be raised from the projected sale of the UK alarms business to Automated Security (Holdings), they are seeking further details of the £S5m disposal.

Towles first half losses in line with expectations

IMPENDING new statutory requirements have prompted Towles to produce figures for the six months to the end of August 1984, although, as usual at this stage of the year, losses are shown.

The seasonal nature of the company's products, knitwear in particular, means that most profits are not achieved until the second half.

For these reasons, interim figures were not produced in the past.

During the first half losses increased from £325,000 to £354,000 on turnover of £5.51m aainst £5.01m. In the last full year profits came to £334,000 (£375,000) — the company also makes hosiery and knitwear.

The autumn season on which the company is to reliant started late, say the directors, and it was found difficult to achieve their targets during September. Since then sales of knitwear have been reasonably buoyant although the mild autumn season has meant that the call off of heavy winter knitwear has heen put back by some large customers.

Considerable difficulties have been experienced in the men's sock market and profit margins have been under pressure in this section of the trade.

An abitious capital expenditure programme has been undertaken which will not be reflected in the current year's results but the directors are confident that the continuing policy of updating the factory plant will prove beneficial in the long term.

Imps buys into homeopathy

Imperial Foods is buying New Era Holdings, a manufacturer of health foods and homeopathic medicines, for £4.1m from Guinness Peat, the merchant bankers. The acquisition underlines the current boom in health products and services

New Era Holdings was develope dwith venture capital from Guinness Peat, which holds 85 per cent of the company's shares. New Era Laboratories, the operating subsidiary, had pre-tax profits of £400,000 for the year to September 30.

Guinness Peat said yesterday that the sale was in line with its policy of developing small venture capital opportunities for private sale, or listing, as appropriate. The proceeds of the sale will be reinvested in existing businesses and new opportunities.

Mansfield's broader base maintains profit level

THE MINERS' strike has interrupted the sustained growth in draught ber sales volumes at Mansfield Brewery, but as a result of this Nottingham brewer's broadening business area base, profits performance has been maintained at the previous year's level, the directors state.

For the 26 weeks ended September 29 1984 pre-tax profits emerged at £4.34m, against £4.24m, from turnover ahead at £38.65m (£36.38m).

The directors add that it is unlikely that the company can look forward to a resumption of growth in its traditional business until there has been a full return to work in the mining industry.

After a much higher tax charge of £1.91m, compared with £1.2m—due to a greater proportion of investment being made in licensed property as distinct from plant—earnings are shown to be well down at 15.6p, against 19.6p.

The interim dividend is maintained, however, at 2.25p net—last year's final payment was 5.75p, and taxable profits amounted to £8.48m.

Operating profits were £4.56m brewing and retailing £3.59m (£3.52m) and soft drinks £976,000 (£949,000).

The pre-tax figure included income from fixed asset investment of £42,000 (£41,000), and a £34,000 (nil) surplus on property disposals, but were after finance charges, up from £272,000 to £302,00, and a £125,000 provision in respect of the cost of the employee profit-sharing schemes, introduced this year.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Chemring	6.5	—	4.6	10	7.6
Crystalate	2.38†	—	2	3.85	3.26
Equity & Law Life§ int.	1	Jan 31	1**	—	4.5**
F and C Alliance§ int.	0.55	—	0.5	—	1.6
Flexello Castors	2	—	0.7	3	0.7
Harris (Philip) ¶int.	3	—	2	—	7.25
Y. J. Lovell	4.6†	—	3.95	6†	5.2
Mansfield Brewery int.	2.25	—	2.25	—	8
Plysu int.	0.94	Jan 31	0.8	—	2.7
Stainless Metalcraft	2.2‡	Feb 14	2.2	4.2	2.2
Syltone int.	3.6	Feb 11	3.6	—	9
Westland	5.25	Feb 14	5.25	8.25	8.25

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Increase partly to reduce disparity. ** Adjusted for share sub-division.

Plysu up 17% in spite of container sales shortfall

ON THE strength of a "particularly buoyant" housewares performance, Plysu has lifted pre-tax profits by some 17 per cent in the 28 week period to October 13 1984. This rate of growth is somewhat less than has been achieved in recent years.

Turnover of this manufacturer of plastic containers, domestic wares and protective clothing was up by nearly 10 per cent from £12.33m to £13.56m, with containers turnover falling somewhat short of expectations. The taxable result was £1.9m against £1.63m.

The directors state that expanding and updating production capacity continues, and the company is now installing further equipment which will have a "marked effect" on containers production efficiency in the future.

The interim dividend is lifted from 0.8p to 0.94p net per 10p ordinary share, following the 2.7p total last time, when pre-tax profits came to £3.31m on turnover of £23.31m. After tax at £855,000 (£725,000) earnings are stated at 6.5p (6p) for the period under review.

Commenting on current and future expansion plans, the directors state that the new 56,000 sq ft factory will be operational during next January, enabling the company to introduce other dairy packs on the firm foundation established by the four pint milk bottle.

February will see the introduction of several major new housewares products which should accelerate the growth of sales in this division.

The directors add that a good deal of effort is going into consolidating the recent acquisition Phoenix Plastics BV and its 51 per cent interest in Plysu Europe BV.

Although this purchase in July was financed largely by the issue of 1m ordinary shares, which rank for the interim dividend now being declared, no part of their results has been incorporated in these accounts as the acquisition was not completed until after the end of their first half year's trading.

The directors do not expect that their contribution will be other than modest this year

Lord Hanson

LORD HANSON is the chairman of Trident Television and not Mr Gwyn Ward Thomas as reported in yesterday's edition.

Norton forces pace with £21m Causton bid

BY CHARLES BATCHELOR

Norton Opax yesterday launched a £21.1m takeover bid for fellow specialist printer Sir Joseph Causton & Sons in an attempt to force the pace of the bid discussions that have been going on since the end of last week.

Mr Richard Hanwell, chief executive of Norton, yesterday repeated that the talks were amicable despite the fact that he has failed to get the Causton board's agreement to the offer terms.

Norton nevertheless appears to have grown impatient with the slow pace of the talks. "We have talked all through the commercial logic, the industrial logic, the price," Mr Hanwell said. "We reached the stage where we thought there might be a hiatus over the Christmas and New Year and felt we should make our bid terms public."

Norton is offering four of its own shares for every five Causton shares in a deal which values Causton shares at 125p, 4p above their closing price of 121p yesterday (a rise of 16p) on the basis of Norton's closing price of 156p (a rise of 3p). It will also offer an underwritten cash alternative worth 110.4p per share.

The Norton bid has been launched on the back of the 21.6 per cent stake in Causton which it bought last week from Fleet Holdings. The Causton board yesterday urged shareholders to take no action on the Norton bid.

Mr Christopher Bland, Causton chairman, said: "I think they concluded talks might go on for some time and they wanted to get the underwriting of their offer out of the way while the market was supporting their share price."

"As an offer it is not derisory and the board will have to look hard at it. But there is no need to rush. We might want further talks."

Samuel Montagu, the merchant bank which is advising Norton, said the company's board had enough information to put a value on its bid and therefore decided to wait no longer in announcing terms.

By pricing the bid Norton may also flush out any counter bidders at an early stage in the negotiations.

The development of both companies in recent years has made the logic of a merger of their businesses more obvious, Mr Hanwell said.

Norton has increased its publishing activities and recently set up a media sales department to handle the sale of advertising in its publications. Causton, for its part, has been disposing of its general printing and textile businesses.

Following the failure of its bid for John Waddington, the games and packaging group, last year, Norton has made a number of small acquisitions.

Dee clear to acquire Intl. Stores

Dee Corporation's proposed £180m purchase of the International Stores business from BAT Industries will not be referred to the Monopolies and Mergers Commission, the Department of Trade and Industry announced yesterday.

Meanwhile, the Monopolies Commission's report on Dee's £236m bid for Booker McConnell, launched at the end of May, is expected to go to the Government later this week and will probably be published at the end of January or early February. The six months set aside for the Monopolies review expires on Saturday and there has been no request for a three months extension of the review period.

While the Monopolies Commission has been studying this bid the Office of Fair Trading has been carrying out its second look at the issue of food manufacturers' discouns to retailers. It wants to update the findings of the Monopolies Commission report published in 1981. This review will probably be published in March or April.

Dalgety's fresh meat sale

Dalgety, the food processor, is pulling out of the fresh meat trade, selling its remaining UK interests to Anglo-Irish Beef Packers for about £4m.

The business, which had a turnover of £65m in the year to June, includes abattoirs at Blisworth, Wellingborough and York, a cutting room at Reading and wholesale depots in Reading and Jersey.

Dalgety said the sale would allow it to concentrate its resources on added value meat processing and convenience foods from its factories at St Ives and Kessingland, and on the trading operations of Dalgety Lonsdale.

Anglo Irish Beef Packers, owned by Mr Larry Goodman, has annual sales of more than I£300m and is one of Europe's major beef processors.

Bath's defence built on hope says Beazer

C. H. Beazer (Holdings), the property and housebuilding group, yesterday fired off a fresh salvo in its £48m contested bid for Bath and Portland Group.

It said Bath and Portland's record was "an embarrassment" insisted that a merger had a "commercial logic," and indicated that it would retain all Bath and Portland's mainstream activities.

Mr Brian Beazer, chairman of the group, said in a letter to Bath and Portland shareholders that their company's defence document was built on "hope, subjective opinions and doubtful assertions." And contained no estimate of profits for the past year, indications of current trading, and no updated asset valuations.

The first closing date of Beazer's bid was last Friday, and the company has extended its offer until December 28, when it must decide whether to raise it.

Beazer's hsares rose 2p yesterday, to 362p, putting the current value of its cash and shares offer at 236.8 per Bath and Portland share. That compares with BP's closing price last night of 275p, up 1p on the day.

In his letter, Mr Beazer quoted the Bath and Portland chairman as saying he had received a large number of approaches to buy the company's mineral division. Beazer, however, intended to retain this business as a core activity.

Mr Beazer added that Bath and Portland's principal activities were in the main complementary rather than competitive with Beazer. Its building activities would be integrated into Beazer's contracting division, its property development activities would be merged with the property division; the instrumentation and engineering division would operate alongside Braham Millar Group and W. & J. Todd; the agricultural division would become part of the products division.

He said Bath and Portland's chairman had tried ot derive a value for the company's shares based on "spurious arithmetic" demonstrating his "ignorance of property values."

Tate & Lyle Canadian sale

Tate and Lyle's 50.5 per cent owned Canadian subsidiary Redparth Industries, is selling its packaging division to Ontario-based Nor Barker Industries, a major producer of flexible packaging products, for about C$7.5m (£4.7m).

The division consists of Merry Packaging and CB Packaging Redpath said that the sale was on integral part of its plan to restructure its non-sugar assets and focus on making and selling plastic and metal products to original equipment manufacturers and end users in the construction, automotive, appliance and industrial equipment business.

Last month Redpath agreed to buy Donlee Manufacturing Industries of Toronto, a manufacturer of injection moulded plastic products fo rthe motor industry, for around C$44m.

Stainless Metalcraft

Continuing the decline shown at the midway stage by Stainless Metalcraft, pre-tax profits fell from £901,000 to £452,000 for the year to the end of August 1984. Turnover of this precision maker of equipment and components, which trades its shares on the USM, moved up from £3.74m to £3 86m.

A final dividend of 2.2p raises the total from last year's single 2.2p payment to 4.2p. Earnings per 25p share are shown as 9.2p (10.4p).

The directors say that the lead time on contracts is not short and a careful build-up of turnover has to be planned to ensure progress during the next three years.

Further delay in Glanfield bid

BY CHARLES BATCHELOR

Gregory Securities' pursuit of Glanfield Lawrence, the North London motor dealership, has run into further delays. These will hold up the restoration of dealings in Glanfields' shares on the Stock Exchange and the posting of Gregory's revised offer document

The Gregory offer document will not go out until the two sides. their merchant banks and the Takeover Panel have completed the discussions which have been going on the past week. it was announced yesterday. Earlier this month the panel put a deadline of yesterday on the pushing of the offer.

On December 7 the Panel said Gregory, a private company headed by Mr Jim Gregory, chairman of Queens Park Rangers, the First Division football club, could reduce the value of its bid in the light of a more gloomy profits forecast from Glanfield

Glanfield revealed the full extent of its position on December 12 when it said it woud do only slightlyq better than break-even at the pre-tax level in the year ending December 31 1984. It also expects to suffer an extraordinary loss of £255,000 and does not expect to pay an ordinary dividend.

Glanfield originally forecast pre-tax profits this year of more than £250,000, but in October it revised this downward to between last year's profit level of £114,000 and £250,000. Even this figure has now ben revised downwards.

The Panel allowed Gregory to reduce the value of its bid for the 57.6 per cent of Glanfield it does not already own from 55p to 49½p in the light of these changes. This reduced the total value of the offer from £2.91m to £2.62m.

The Gregory bid has kept the Takeover Panel very busy in the past few months.

It was called in first to investigate allegations that Gregory had bought shares from parties acting in concert but found this claim unproved.

It then intervened to order Gregory to offer for sale a 29 per cent stake in Glanfield since this had been bought in inadvertent contravention of the Panel rules.

The company subsequently became involved when it ruled that the Glanfield profit forecast was too optimistic and did not reflect the deterioration in the group's position.

Glanfield's shares remain suspended at 52p.

BP £5.5m bid to extend UK onshore oil

By Dominic Lawson

British Petroleum is to extend its onshore UK interests in oil and gas exploration with an agreed £5.5m takeover of Voyager Petroleums UK.

Voyager i s80 per cent owned by Canadian property company Nu-West Group, and the shares had been offered to a number of oil companies including Tricentrol and Burmah. An oil analyst said: "Every one and their dog had a look at this, but Voyager can be satisfied with the price."

Apart from gaining £1.2m in cash on the Voyager balance-sheet, BP is spending the money on a pure UK exploration play. Voyager has 11 licences spanning 1,650 sq km in Surrey, Kent, Sussex, Hampshire and Wiltshire. This area—known as the Weald Basin — has recently been upgraded by the oil industry following some promising discoveries by U.S. oil company, Conoco. The only developing oil field in the Weald Basin is Carless Capel's Humbly Grove discovery in Hampshire.

Voyager's two recent wells on its acreage were dry, but BP's bid is liable to intensify oil industry interest in the area. For BP an important attraction was the fact that Voyager is the operator of all its licences, and none of its equity interests in the licences are less than 19 per cent.

Mr Dwight Daniels, a director of Voyager, said yesterday that the sale formed part of Nu-West's strategy of disposing of its world wide oil and gas interests. Voyager's shares are traded under rule 535(3) and BP is paying 55p a share.

BP operates the Wytch Farm oilfield in Dorset, the UK's largest onshore oilfild, and it also has extensive interests in the East Midlands. However, via the Voyager purchase BP will be making its first move into the prospective Weald Basin. BP said recently that it planned to drill about 60 onshore UK wells in each of the next four years. This purchase will add to that already formidable programme of onshore exploration.

Kleinwort expansion

Kleinwort Benson, the merchant bank, is to extend its interest in Australia by buying a half share in Hattersley Maxwell Noall & Co, a prominent member of the Sydney Stock Exchange.

The acquisition will be made through KBA, an Australian merchant bank owned jointly with the Colonial Mutual Life Assurance Society.

The deal follows Kleinworts' acquisition in October of a half interest in the Australian Gilt Company, a specialist dealer in Australian Government securities, and is part of Kleinwort's plan to build a worldwide securities network.

EIS Group buys Flexibox

EIS Group, the engineering company, is buying Flexibox, suppliers of mechanical shaft seals and flexible power transmission couplings, from Burmah Oil for £46m.

EIS will pay £2.487m immediately, with the balance paid in a £1 instalment on the first anniversary of completion and £1m six months after that An additional payment not exceeding £350,000, will depend on the 1984 profits and dividends of Flexibox's overseas subsidiaries and assoicated companies.

The book value of the Flexibox assets being acquired is £5.6m. In the year ending December 31 1083, the company had pre-tax profits of £643,000 on turnover of £18.2m. Turnover of five, 50 per cent-owned associates totalled £81m.

Change in seasonal demand undermines Crystalate profits

Crystalate Holdings' longer standing electronics divisions of Besson, Ebonestos, Greendale, and Oosborne were all affected in the 1983-84 year by the changing traditional pattern of telecommunications demand. As a result, margins were eroded says Mr John Leworthy, group chairman.

However, he says that "all operating units show every prospect of continuing growth during 1985."

The year to September 30 saw group turnover more than double from £23.9m to £50.96m, excluding the china and ceramic businesses of Royal Worcester which were sold in October to LRC International.

Profits before tax show an advance from £3.2m to £5.66m, but include both a 10 months contribution of £2m from china and ceramics, which were included as associates, and from Welwyn Electronics which has been incorporated as a subsidiary. Welwyn is the part of the Royal Worcester business Crystalate wished to retain when it purchased the RW group in December 1983.

Mr Leworth points out that a three-month purchasing moratorium imposed by British Telecom, the group's biggest customer, cost an estimated £0.5m in taxable profits. However, he expects the group to make up the difference in the current year.

Profits of the Welwyn Electronics division "improved considerably," he says and adds that Welwyn Circuits operations have "high profit potential. "The printed circuits side is now profitable and has "good prospects" in a strong market.

Mr Leworth goes on to say that "the combined effect of the former Crystalate and Welwyn operations makes the enlarged Crystalate an effective force for the future."

Also, he says, "the sale of the china and ceramics businesses provides substantial funds to pursue the many opportunities available to the different units and will of course facilitate any opportunity for wider investment or acquisitions which may be identified."

The final dividend is being raised from 2p to 2.38p, lifting the total to 3.85p (3.26p). Basic earnings per share rose from 10.94p to 18.22p.

Profits this time were struck after interest charges of £1.17m reflecting in part the carrying costs of businesses disposed of. Tax amounted to £1.72m (£1.56m) and there were minorities of £40,000 (nil), giving an attributable balance of £3.89m (£1.65m). All dividends will absorb £875,000 (£497,000).

● comment

Crystalate came in well below market expectations with a somewhat opaque statement and the shares accordingly dropped 30p to 245p, still a respectable 16.6 times stated fully diluted earnings. Its experience only highlights the risks involved in devoting 25 per cent of group turnover (more like half before Welwyn came in) to one customer, especially when that happens to be a monopoly supplier of a constantly changing product like British Telecom. A three-month moratorium on BT's offtake wiped around £500,000 from the pre-tax line. Those sales will undoubtedly be recouped in the current year, though the holding costs will undoubtedly knock margins for six. The hiccup also underlines the importance of the Welwyn diversification, not just in terms of reducing Crystalate's reliance on BT, but also as a route away from less exacting telecommunications technology towards the fast growing top end of the printed circuit board industry. In the absence of further shocks from BT, about £7m-£7.5m pre-tax looks possible for the current year.

COMPANY NEWS IN BRIEF

Partly due to normal depletion of reserves and partly to a continued fall in oil and gas prices, American Oil Field Systems, an unquoted company engaged in oil and gas exploration in the U.S., suffered a pre-tax loss of £543,000 for the six months to end-June 1984, compared with a loss of £644,000.

On turnover down by £122,000 at £834,000 the company suffered a lower £283,000 trading loss against £346,000.

Stated losses per 20p share were /.4p (losses 6.4p). There was again no tax paid.

* * *

DEALINGS START today on the Stock Exchange in the common stock of Hospital Corporation of America, one of the worlds leading health care companies.

Lloyds Bank International is sponsoring the listing and Cazenove & Co are the brokers.

* * *

Chemring achieved higher taxable profits of £1.45m, against £1.3m, over the 12 months to September 30 1984 and the directors are confident that 1984-85 will be "another good year."

The dividend total is up from 7.6p to 10p with the final payment increased by 1.9p to 6.5p. Stated earnings per share moved ahead to 38.7p (31.1p).

Chemring, based in Portsmouth, manufactures radar reflective "chaff." protective clothing, and cable terminations. Turnover for the year totalled £7.63m (£6.13m).

Retained profit was £647,100 (£494,000), after tax of £637,000 (£646,000) dividends, and a £44,600 extraordinary credit this time.

* * *

Yearling bonds totalling £8.75m at 10⅜ per cent, redeemable on January 2 1985, have been issued by the following local authorities.

St Helens Metropolitan Borough Council £1m; West Dorset District Council £0.5m; Kerrier DC £0.5m; Llanelli BC £0.25m; North Devon DC £0.5m; East Kilbride DC £1m; Hounslow (London Borough of) £0.5m; West Yorkshire Metropolitan County Council £0.75m; Dudley MBC £1m; Hereford City Council £0.5m; Wimbourne DC £0.25m; Barnsley MBC £1m; Central Scotland Water Development Board £0.5m; Chiltern DC £0.5m. Also: Basingstoke and Deane Borough Council £0.25m at 10⅞ per cent redeemable on December 17 1986.

* * *

Losses for the year to the end of October 1984 at Pict Petroleum amounted to £823,186 against £232,404 after writing off exploration expenditure of £832,756 compared with £320,437.

During 1984, the directors point out that the company became involved with North Sea production, which is reflected in a rise in oil sales from £65,068 to £1.47m.

Figures include income from a working interest in the Claymore field, which yielded a four-month contribution of £1.4m. At the year-end Pict had cash of £4.1m (£3m) for future exploration.

A change from October 31 to June 30 in the year-end is proposed to correspond with the accounting period for petroleum revenue tax—the next period will be for eight months. Shares of the company are traded on the USM.

* * *

The Limited, Inc., the largest women's clothing specialty store and mail order retailer in the U.S., has been admitted to the London Stock Exchange. The company was founded 20 years ago and in New York is capitalised at about $1.55bn (£1.32bn). Cazenove and Co are brokers to the company.

* * *

Pre-tax profits jumped from £150,000 to £361,000 at Victoria Carpet Holdings, for the six months ended September 30 1984, and although prospects for the rest of the year continue to be uncertain, the directors believe that profits should be in excess of last year's £687,000.

This, they say, would enable the company to recommend an increased dividend for the period—last year's payment was 0.2p.

Turnover amounted to £13.28m (£10.78m). Tax charge was £180,000 (nil).

* * *

Pre-tax profits at London & Associated Investment Trust improved from £124,000 to £159,000, after interest payable of £14,000, against £15,000, in the half year to June 30, 1984. No interim dividend is payable, but the directors expect to recommend an increased final dividend—last year's payment was 0.2p.

Gross income for the first six months was £84,000 higher at £285,000. Tax took £86,000 (£60,000) and there was an extraordinary debit of £1,000 (£3,000). Stated earnings per 10p share rose from 0.42p to 0.47p before extraordinary items.

The directors state that where rent reviews have taken place during this period, the increases obtained have been most satisfactory. The aggregate value of the company's quoted portfolio has advanced satisfactorily during this period. Some useful dealing profits have also been achieved. The three independent radio stations in which the company has invested have all commenced broadcasting and initial indications are encouraging.

* * *

Flexello Castors & Wheels has achieved a turnround to pre-tax profits of £734,000 for the year to end-September 1984, with £323,00 being made in the second half. For the 1982-83 year the company incurred losses of £33,000.

The final dividend is increased from 0.7p to 2p net, making a 3p total. There was no interim payment last year.

Mr J. F. Cowell, the chairman, stated in June that he expected "satisfatcory results" for the full year, although warning that due to seasonal factors the second half profits might not be as high as the £411,000 achieved in the first half.

Grou pturnover for the year rose from £8.92m to £11.57m.

The pre-tax figure was struck after accelerated computer depreciation of £137,000.

After tax of £329,000 (credit £82,000) net earnings per 25p share were stated as 12.25p aagginst 1.48p. There was extraordinary income of £120,000 (£15,000).

Public Works Loan Board rates

Effective December 19 1984

Years	Quota loans repaid by EIP†	Quota loans repaid At‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At‡	Non-quota loans A* repaid at maturity§
1	—	—	10¾	—	—	11⅛
Over 1, up to 2......	10½	10¾	10¾	11⅛	11⅛	11⅛
Over 2, up to 3......	10¾	10¾	11	11⅛	11⅛	11⅜
Over 3, up to 4......	10¾	10¾	11⅛	11⅛	11⅛	11½
Over 4, up to 5......	10¾	11	11⅛	11⅛	11⅜	11½
Over 5, up to 6......	11	11⅛	11⅛	11⅜	11½	11½
Over 6, up to 7......	11	11⅛	11⅛	11⅜	11½	11½
Over 7, up to 8......	11⅛	11⅛	11⅛	11½	11½	11½
Over 8, up to 9......	11⅛	11⅛	11⅛	11½	11½	11½
Over 9, up to 10 ...	11⅛	11⅛	11	11½	11½	11⅜
Over 10, up to 15...	11⅛	11	10¾	11½	11⅜	11⅛
Over 15, up to 25...	11	10¾	10¾	11⅜	11⅛	11⅛
Over 25	10¾	10¾	10¾	11⅛	11⅛	11

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Rights and placing by C. & W. Walker

C. & W. Walker Holdings is using two equity fund raising methods in a move to reduce borrowings and consolidate an improved trading position.

Around £1m is being called for via a one-for-one underwritten rights issue at 17p per share and a placing with investors of 1m new ordinary at 19p each.

Walker, an engineering contractor and plant an equipment manufacturer, has suffered material losses over the past few years, but for the current 12 months to February 2 1985 the directors are looking for a taxable profit in the region of £135,000.

No dividends have been paid since 1980 and no payment will be made in respect of the current year in view of the company's need to build up reserves. However, the board intends to resume dividends in 1985-86 with a payment of 0.75p per share.

The company is confident that it has "turned the corner" and although the profit forecast for the current year is modest, the board believes that a "platform for continued growth" has been achieved.

In addition to a current improved level of orders, the group is negotiating a number of long-term contracts. These include one large UK contract which could give rise to a "material increase in turnover at satisfactory margins, with little effect on fixed costs."

The company also announces some changes in the boardroom. It is intended that Mr D. J. L. Fitzwilliams be appointed non-executive deputy chairman and that Mr M. N. Hayes be appointed managing director with effect from February 3

Philip Harris

Taxable profits of **Philip Harris (Holdings)**, scientific apparatus manufacturer, increased from £258,000 to £292,000 for the half year to September 30 1984, and partly to reduce disparity, the interim dividend is stepped up to 3p net per share, against 2p.

Turnover amounted to £13.05m (£11.98m). Earnings per 20p share were 4.9p (3.8p) after tax £131,000 (£134,000).

Bairstow £7m rights to fund further expansion

Bairstow Eves, estate agent, is tapping its shareholders for just over £7m of new equity money with a one-for-three rights issue priced at 64p per share. The cash call, raising £6.8m after expenses, is backed by a profits forecast of a record £3m pre-tax for the year ending this month and a plan to expand the agency's network by acquisition.

Mr John Bairstow, group chairman said yesterday that his directors were talking to five or six agency companies at the present time. If all these possible acquisitions come to fruition, the company could be involved in deals amountin gto over £5m in cash plus a significant paper element.

In his letter to shareholders Mr Bairstow, says that since the company was floated on the market in May 1982 the number of outlets has increased from 33 to 93 with "more than a commensurate increase in profits.'

Until now the company's expansion has been funded by its own cash flow with a limited issue of new shares to the vendors of agencies it has consumed.

When the company first went public its directors indicated that they would expand the business by acquisition. Using a combination of quoted paper and cash Bairstow was able to take advantage of its unique position as a quoted company to expand its estate agency empire, though it has largely confined itself to the South East where the housing market remains at its most buoyant.

After an interim profits increase of 51 per cent to £1.24m the directors are forecasting that the company will make "approximatly £3m" for the full year. That includes contributions from the Taylors estate agency business, and the mortgage and financial services company, Rainbow, both acquired during the year.

As forecast at the interim stage, the directors intend to recommend a final dividend of 0.805p per share, raising the total to 1.449p. They anticipate a dividend for the coming year of not less than 1.8p per share on the enlarged capital.

The figures being achieved for the current year reflect the increased level of mortgage and financial services activities now being conducted by the group which will contribute substantially to the profits increase. The directors consider that this area of business shows "great potential" and Mr Bairstow remains confident of continued progress.

So far as the residential agency is concerned, Mr Bairstow adds that Taylors has been successfully integrated within the group. Expansion has continued by physical growth while the housing market generally remains buoyant. Present indications, he says, remain favourable.

An extraordinary general meeting is being called for January 16 to increase the authorised capital from £2.75m to £3.5m by the creation of a further 15m ordinary shares. This will provide a margin of unissued capital which will give the directors flexibility to take advantage of any acquisition opportunities which may arise.

The issue is being undcrwritten by Charterhouse Japhet, and brokers to the issue are Capel-Cure M yers.

● comment

The case for **Bairstow's** rights issue looks pretty thin on the face of it. It enjoys an enviable position with a rapidly growing business which generates a considerable amount of cash in buoyant housing markets. Its capital gearing ratio is hardly pressing—currently net debt is no more than 20 to 25 per cent of shareholders' funds—and the £6.8m it is putting into the bank is roughly three times the amount of cash it has spent on acquisitions since it went public in the spring of 1982. Estate agents' margins may be under pressure from cut-priced house marketing organisations but Bairstow has a strong enough hold to ride on the tide while its developing commitment to wider financial services captures the City's enthusiasm for that market. A p/e of under 14 at 78p on the forecast profit may not be cheap but the shares enjoy a rarity value and the underwriters should have an easy ride.

Norwich Union bonuses show way to competitors

THE **Norwich Union Insurance Group**, one of Britain's largest mutual life companies, has made substantial increases in its bonus rates for 1984, thus putting the company way ahead of its competitors, most of which have yet to make their declarations.

On with-profit life contracts the basic bonus rate is being increased by 15p to £5 per cent of the sum assured and attaching bonuses. In addition, the company is declaring a special reversionary bonus, reflecting the very good investment performance this year from its equity and property holdings.

This special bonus operates in a similar manner to the company's additional bonus system, with rates based on the basic sum assured and varying with year of entry. The scale ranges from £50 per £1,000 sum assured for contracts taken out in 1980, to £1,280 per £1,000 sum assured for entry year 1935 or earlier.

However, the company is keeping its additional bonus rates, paid when a contract matures or becomes a death claim, unchanged for 1985—ranging from £170 per £1,000 sum assured for entry year 1980, to £3,230 per £1,000 sum assured for entry year 1935 or earlier.

The effect of these increases is seen from the following examples: A 10-year policy taken out by a man aged 29 for a gross monthly premium of £10 currently pays £2,347 on maturity. This would rise to £2,563 in the New Year, an increase of 9.2 per cent. On a 25-year contract for the same premium, the maturity value would rise 11.1 per cent from £12,243 to £13,606.

Bonusr ates on self-employed and executive pension contracts are also lifted by substantial amounts. The basic reversionary bonus rate is lifted 15p to £6.30 per cent compound, and the special bonus rate ranges from £50 to £1,655 per £1,00 basic benefit.

Syltone profits almost trebled at half year

For the half-year ended September 30 1984 pre-tax profits at Syltone almost trebled, from £159,000 to £469,000, while sales moved ahead by 30 per cent, from £6.88m to £8.91m.

The directors of this Bradford-based engineering holding company have declared an unchanged 3.6p interim dividend. For the last full year a total of 9p was paid.

Mr John A. Clegg, group chairman, commenting on the results, says that the pre-tax increase for this half does not imply that the profit for the full financial year will necessarily show a proportionate increase.

From increased trading profits of £629,000 (£331,000), interest took less at £160,000 (£172,000). The tax charge was also down, at £174,000 against £184,000, leaving the group's net profit at £295,000 compared with a £25,000 loss last time.

This "considerably enhanced" profit after taxation is due to the lifting of the burden of unrelieved tax losses overseas, the chairman states. With the exception of the group's start-up situation in Italy, which lost £8,000, he adds that all the overseas operations are now profitable.

Stated net earnings per 25p share were shown as 7.1p compared with losses of 2.22p.

After minorities taking £3,000 (£2,000) and total dividends absorbing a same again £172,000, the group's surplus stood at £120,000 against losses of £199,000.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Atlantic Resources, Batleys of Yorkshire, Berisfords, British Electric Traction, Forminster, ICC Oil Services, M.J.I., Northamber, Petbow, Rexmore, Rotaprint, Shealbank Uroperty Trust, Stirling, TR Trustees Corporation, Wellman.

Finals: Ashley Industrial Trust, Aspinall, Bankers Investment Trust, Charter Trust and Agency, English China Clays, Grand Metropolitan, William Leech, M & G Group, Mayfair and City Properties.

FUTURE DATES

Interims—

AIM	Jan 2
British Benzol Carbonising	Jan 3
Firth (G. W.)	Dec 21
Scottish English and European Textiles	Jan 22

Finals—

Circaprint	Jan 10
SGB	Jan 17
Weber	Dec 21

APPOINTMENTS

Top International Thomson post

Mr Francis Higgins has been elected to the board of INTERNATIONAL THOMSON ORGANISATION (ITOPLC) as finance director. ITOPLC is the principal UK subsidiary of International Thomson Organisation.

★

Mr David Wansbrough and **Mr Jonathan Baker** have been appointed directors of EQUITY CAPITAL FOR INDUSTRY.

★

Mr Martin Wigram has been appointed managing director of ROXBURGHE GUARANTEE CORPORATION *in succession to* **Mr Ron Basher.**

★

HERBERT JOHNSON has appointed **Mr Robin Benson** as its chairman.

Mr Roger King has been appointed finance director of the FORELLE GROUP following six years as managing director of a subsidiary Bourne Steel. He will be a director of the parent company, Forelle and also of its subsidiaries, Bourne Steel, Capegrove Properties, Forelle Estates and Scottish Prudential Investment Association.

★

Mr E. R. Hall has been appointed managing director of the THORN EMI electronics defence systems division. He had previously held the position of general manager of the division's Feltham operation.

★

Mr John T. Hill has been appointed commercial director designate of McCORQUODALE VARNICOAT.

★

ISS SERVISYSTEM UK has appointed **Mr Michael Bizley** group managing director. He was appointed managing director of the Servisystem cleaning company in April 1984, having spent seven years as a regional director.

★

CONFEDERATION LIFE INSURANCE COMPANY has appointed **Mr G. L. William** as director of marketing.

★

Mr Robert J. Wills has been appointed chief executive of S. W. FARMER GROUP. He has been a director since March. **Mr Brian Farmer**, who was previously chairman and chief executive, will remain as chairman.

★

Mr Fane Vernon is to be appointed a non-executive director of DAVENPORTS BREWERY (HOLDINGS), on January 1. He is chairman of Ash & Lacy, British Dredging and Brooke Tool Engineering (Holdings).

★

MOY PARK has appointed **Mr William Carson** as non-executive chairman from January 1. He is the senior partner of accountants Price Waterhouse in Northern Ireland.

★

Mr Thomas Cole, who joined WIGFALLS in April 1982 and is currently commercial director, has been appointed managing director of the group. He succeeds **Mr Richard W. Morrell**, who has resigned. **Mr David Law** has also resigned as a non-executive director.

★

Mr David Brann, *managing* director of "Bentley's," has been appointed to the board of DOLAMORE HOLDINGS.

★

Mr Nicholas Cobbold, chairman of Energy Recovery Investment Corporation, has been appointed chairman of CAMBRIDGE PETROLEUM in succession to **Mr Robert Tainsh.**

★

TAYLOR WOODROW has made three changes to its board: **Mr J. (John). Topping** is appointed a joint deputy chairman from January 1. He will continue as chairman of Taylor Woodrow Property Company. **Mr R. F. (Barton) Higgs** is retiring from the board of Taylor Woodrow on December 31 and from his other group appointments. **Mr E. S. D. (Stan) Tribe** *is also retiring from the board of* Taylor Woodrow on December 31 in order to devote more time to other activities within the group.

★

LAZARD BROTHERS AND CO. has appointed **Mr G. K. Johns** and **Mr R. F. Smith** directors of Lazard Securities, the investment management subsidiary of Lazard Brothers. **Mr H. A. Simon** has been appointed a non-executive director of Lazard Securities with responsibility for establishing an office in Hong Kong.

★

TURNER AND NEWALL has appointed **Mr G. A. Ross**, research and development manager of its subsidiary Ferodo, research and development director of that company.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1978=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1983							
3rd qtr.	102.0	96.8	97	108.3	124.0	2,950	160.0
4th qtr.	103.5	98.1	100	110.3	151.4	2,941	162.0
1984							
1st qtr.	102.8	97.4	100	108.5	123.5	2,998	147.0
2nd qtr.	100.7	98.1	105	111.7	130.7	3,026	154.0
3rd qtr.	100.5	99.1		112.4	133.8	3,076	165.1
May	100.2	97.6	101	110.7	130.6	3,028	156.0
June	100.7	98.6	103	112.1	130.3	3,038	159.0
July	99.9	98.2	103	111.2	133.9	3,055	164.0
August	100.0	99.4	84	110.9	132.8	3,074	162.0
September	101.5	99.8		114.5	134.3	3,096	170.0
October	102.3	99.1		140.3	113.2	3,100	170.5
November					115.4	3,103	167.6

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1983							
3rd qtr.	98.5	92.0	108.5	94.8	105.3	90.5	17.5
4th qtr.	99.0	93.6	110.2	96.4	110.4	93.0	15.9
1984							
1st qtr.	97.5	92.7	110.1	95.4	113.9	89.4	16.5
2nd qtr.	98.9	94.3	104.6	96.7	107.3	90.4	17.8
3rd qtr.	99.2	95.7	103.1	98.4	108.6	90.6	16.3
May	99.0	94.0	104.0	96.0	103.0	91.0	17.5
June	98.0	95.0	105.0	98.0	112.0	90.0	19.4
July	99.0	95.0	103.0	97.0	106.0	90.0	18.3
August	98.0	96.0	103.0	99.0	111.0	90.0	15.5
September	101.0	97.0	104.0	100.0	109.0	93.0	15.0
October	99.0	97.0	106.0	98.0	105.0	90.0	15.7

EXTERNAL TRADE—Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); exchange reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Resv. US$bn*
1983							
3rd qtr.	99.2	106.6	−369	+829	+1,485	98.6	17.90
4th qtr.	107.3	112.9	−221	+395	+2,099	97.7	17.82
1984							
1st qtr.	109.5	113.3	−154	+377	+2,316	97.3	16.75
2nd qtr.	108.3	118.3	−1,297	−387	+1,548	96.9	15.51
3rd qtr.	107.4	119.5	−1,652	−902	+1,726	96.8	15.35
May	108.5	115.1	−314	−10	+512	96.6	15.84
June	112.0	117.5	−137	+166	+656	97.6	15.51
July	102.7	108.9	−198	+53	+755	97.0	15.37
August	111.6	123.9	−627	−377	+387	96.7	15.35
September	107.9	125.8	−828	−578	+584	96.8	15.26
October	116.6	133.8	−851	−73	+388	96.5	15.35
November							15.50

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HP, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank advances %	BS inflow £m	HP lending £m	Base rate %
1983							
3rd qtr.	3.9	8.5	8.4	24.6	2,098	2,650	9.50
4th qtr.	7.9	10.4	8.8	18.9	2,745	2,807	9.00
1984							
1st qtr.	4.1	10.1	8.2	13.6	2,609	2,896	8.50
2nd qtr.	4.6	24.5	11.1	18.9	1,795	2,850	9.25
3rd qtr.	5.3	10.2	6.3	9.9	1,628	2,785	10.50
May	4.3	28.3	11.4	19.0	482	1,022	9.13
June	6.2	22.7	14.3	20.6	630	919	9.25
July	6.8	11.4	8.4	17.0	608	976	12.00
August	4.6	11.4	7.1	11.0	133	938	10.50
September	4.4	7.8	4.0	2.4	887	871	10.50
October	6.7	18.5	9.6	11.2	1,125	1,006	10.50
November					363		9.63

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (1975=100).

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* comdty.	Strlg.
1983							
3rd qtr.	150.9	124.7	125.1	338.0	310.4	288.14	84.9
4th qtr.	153.2	128.4	126.7	341.8	316.4	298.50	83.2
1984							
1st qtr.	153.6	133.5	129.0	343.9	321.7	308.67	81.7
2nd qtr.	155.9	134.1	132.0	350.9	329.1	305.06	79.8
3rd qtr.	159.6	133.6	132.8	353.9	326.8	288.95	78.0
May	155.7	134.3	132.1	351.0	329.4	312.45	80.0
June	157.5	134.1	132.2	351.9	330.6	305.06	79.4
July	159.6	133.5	132.5	351.5	328.5	289.86	78.4
August	159.2	132.8	132.6	354.8	326.9	294.18	78.4
September	160.1	134.9	133.3	355.5	324.9	288.95	77.2
October		137.5	134.0	357.7	326.2	292.40	75.6
November		138.7	134.4	358.8	326.6	289.89	75.7

* Not seasonally adjusted.

SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Thursday December 20 1984

EEC proposes cuts in fish quotas, Page 30

WALL STREET

Encouraging flash of confidence

GAINS were consolidated on Wall Street yesterday before stock markets again turned higher, confidently awaiting signs of an easing in Federal Reserve credit policies, *writes Terry Byland in New York.*

The Commerce Department's "flash" estimate of 2.8 per cent growth in GNP in the fourth quarter indicated a slightly stronger economic pace than expected. Inflation, as measured by the price deflator, remained comfortably within bounds and bond prices steadied after opening lower.

In the stock market, turnover remained heavy, and some early profit-taking was comfortably absorbed.

The Dow Jones industrial average closed down 3.53 at [illegible]

A swelling chorus of market analysts predicted a cut in the Fed discount rate, either tomorrow or shortly after Christmas. Little attention was paid to an increase in federal funds rate to 7¾ per cent, which was attributed to bank settlement day operations.

Wells Fargo, the major West Coast banking group, moved to a lower prime by cutting its rate by half a percentage point to 10¾ per cent, following the move begun on Monday by Manufacturers Hanover. Later in the day, Citibank cut ¾ percentage point from its prime rate to 10¾, bringing it back into line with other major banks.

In the stock markets, Semiconductor issues again provided a good lead after two brokerage firms put the sector on their "buy" lists. Demand for semiconductor products is likely to be the first response to increased industrial activity in the U.S. as interest rates slide.

Airlines continued to respond to falling fuel prices, while oil stocks languished for the same reason. Other major stocks remained firm, although profit-taking checked attempts to extend the massive gains achieved in the previous session.

IBM at $122⅞ shed $¼. General Motors gave up $⅛ to $77⅞, Ford $½ to $45¾, Union Carbide $¾ to $35 and Honeywell $⅜ to $61½.

An initially firm trend in airline stocks turned mixed. Delta Airlines at $43⅝ held on to a $⅜ gain, and Pan Am at, $¾ was $⅛ better. At $45¼, however, United Airlines fell $⅜ and American Airlines, the other favoured carrier stock, dipped $½ to $36¼.

Among the semiconductors, National Semiconductor stood out after a large block trade which boosted turnover in the stock to 1.7m, with the price $⅜ up at $12⅞. Motorola extended Tuesday's gain by $½ to $35⅛, and Advanced Micro Devices put on $1¼ to $29⅝ in heavy turnover.

Texas Instruments, cheered by the favourable tone of the Pentagon report on problems with the company's microchips, opened higher but then slid to $118, a net fall of $¼.

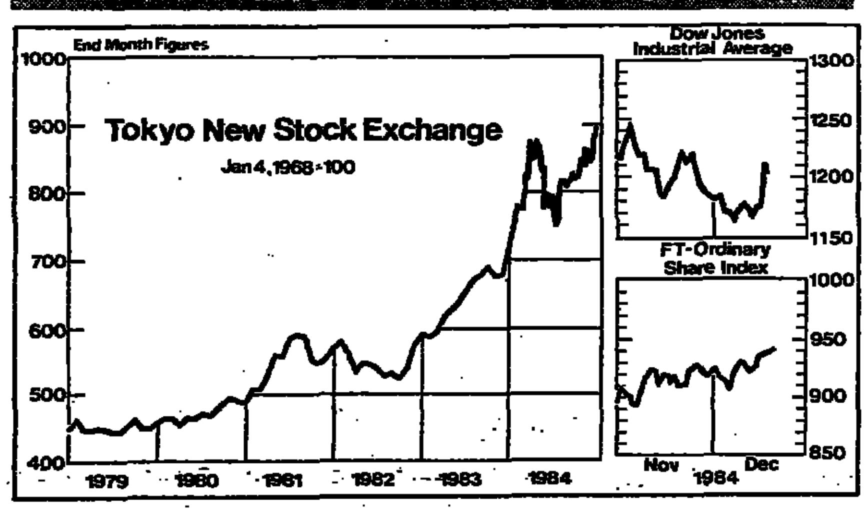
Retail stocks remained mixed against a background of early price-cutting to boost sluggish Christmas sales. J. C. Penney lost $¼ to $48 and Sears shed $⅛ to $32¼. Once again, however, the food and smaller ticket retailers improved. American Stores gained $⅝ to $38⅝ and Safeway Stores edged up $⅛ to $28⅞.

Other features included Smith International, the drilling equipment manufacturer, suspended at $12¼ after cutting its dividend payment because of write-offs against profits. Gould, at $21⅞, jumped $1⅞ on its decision to buy in stock.

In the credit markets, yields opened higher after the sharp falls of the two previous trading sessions. However, the market regained confidence when the Fed made no attempt to drain reserves at midday, and the gain in Treasury bill rates was reduced to only three basis points in the six-month bill, at 7.99 per cent.

Bond prices also recovered from early falls to show a mixed picture. The key long bond was unchanged from overnight at 103⅝₂ at midsession.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 19	Previous	Year ago
NEW YORK			
DJ Industrials	[illegible]	1,211.57	1,244.61
DJ Transport	555.25*	554.25	590.9
DJ Utilities	148.80*	149.93	130.54
S&P Composite	166.84*	168.11	162.32
LONDON			
FT Ord	942.6	939.9	772.0
FT-SE 100	1,220.6	1,216.2	988.6
FT-A All-share	586.6	583.6	468.05
FT-A 500	642.71	640.08	499.3
FT Gold mines	476.2	452.2	580.1
FT-A Long gilt	10.33	10.30	10.23
TOKYO			
Nikkei-Dow	11,558.43	11,460.21	9,484.17
Tokyo SE	897.55	890.71	701.22
AUSTRALIA			
All Ord.	718.1	708.1	755.7
Metals & Mins.	406.6	394.9	544.9
AUSTRIA			
Credit Aktien	59.04	58.99	55.39
BELGIUM			
Belgian SE	157.84	157.73	134.48
CANADA			
Toronto			
Metals & Minls	1,916.6*	1,878.4	2,428.0
Composite	2,399.6*	2,389.1	2,500.7
Montreal			
Portfolio	120.49*	120.08	123.48
DENMARK			
Copenhagen SE	n/a	165.54	200.58
FRANCE			
CAC Gen	182.5	178.6	149.1
Ind. Tendance	122.0	118.9	95.0
WEST GERMANY			
FAZ-Aktien	375.06	372.2	344.12
Commerzbank	1,089.5	1,080.0	1,018.3
HONG KONG			
Hang Seng	1,173.31	1,166.13	857.25
ITALY			
Banca Comm.	224.67	223.84	186.43
NETHERLANDS			
ANP-CBS Gen	182.3	179.9	147.7
ANP-CBS Ind	144.9	143.7	122.7
NORWAY			
Oslo SE	283.86	282.53	212.19
SINGAPORE			
Straits Times	796.36	792.01	982.51
SOUTH AFRICA			
Golds	916.7	890.9	834.7
Industrials	923.0	922.8	936.6
SPAIN			
Madrid SE	141.16	141.65	119.48
SWEDEN			
J & P	n/a	1,338.0	1,446.64
SWITZERLAND			
Swiss Bank Ind	383.1	381.2	371.9
WORLD	Dec 18	Prev	Year ago
Capital Int'l	187.3	184.3	179.0

GOLD (per ounce)

	Dec 19	Prev
London	$309.75	$309.25
Zürich	$309.55	$309.25
Paris (fixing)	$310.24	$307.85
Luxembourg	$310.25	$307.50
New York (Jan)	$309.10	$309.50

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Dec 19	U.S. DOLLAR Previous	STERLING Dec 19	STERLING Previous
$	–	–	1.1745	1.186
DM	3.099	3.087	3.64	3.66
Yen	247.7	246.7	291.0	292.5
FFr	9.485	9.4575	11.145	11.2225
SwFr	2.558	2.522	3.0025	3.0125
Guilder	3.5	3.4855	4.11	4.135
Lira	1,904.5	1,899.0	2,236.5	2,253.5
BFr	62.15	62.0	73.0	73.5
C$	1.32	1.31805	1.5485	1.562

INTEREST RATES

	Dec 19	Prev
Euro-currencies (3-month offered rate)		
£	9 11/16	9⅞
SwFr	5	5 1/16
DM	5⅝	5 9/16
FFr	10⅞	10⅞
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 9/16	8 11/16
6-month U.S.$	9 1/16	9¼
U.S. Fed Funds	7¾*	6
U.S. 3-month CDs	8.25*	8.25
U.S. 3-month T-bills	7.77*	7.74

U.S BONDS

Treasury	Dec 19* Price	Dec 19* Yield	Prev Price	Prev Yield
10⅞ 1986	100 29/32	9.84	101	9.79
12¼ 1991	104 19/32	11.26	104 24/32	11.23
11⅝ 1994	101 27/32	11.33	102 1/32	11.28
11¾ 2014	103 6/32	11.38	103 9/32	11.34
Corporate	**Dec 19* Price**	**Yield**	**Prev Price**	**Yield**
AT & T				
10⅜ June 1990	95¾	11.45	95¾	11.45
3⅞ July 1990	73½	10.25	73½	10.25
8¾ May 2000	76⅝	12.18	76⅝	12.18
Xerox				
10⅞ March 1993	93⅞	11.70	93⅞	11.70
Diamond Shamrock				
10⅜ May 1993	93	11.95	93	11.95
Federated Dept Stores				
10⅜ May 2013	87⅞	12.15	87⅞	12.15
Abbot Lab				
11.80 Feb 2013	96	12.30	96	12.30
Alcoa				
12¼ Dec 2012	98	12.50	98	12.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	72–12	72–17	72–03	72–22
U.S. Treasury Bills (IMM) $1m points of 100%				
Mar	91.84	91.86	91.72	91.83
Certificates of Deposit (IMM) $1m points of 100%				
Mar	91.02	91.05	90.89	91.04
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	90.55	90.72	90.51	90.64
20-year Notional Gilt £50,000 32nds of 100%				
Mar	106–30	107–27	107–10	107–28

COMMODITIES

(London)	Dec 19	Prev
Silver (spot fixing)	543.65p	534.50p
Copper (cash)	£1,133.50	£1,125.50
Coffee (Jan)	£2,231.00	£2,222.00
Oil (spot Arabian Light)	$27.50	$27.50

LONDON

Peak despite slide in sterling

THE pound's slide to another all-time low overshadowed all other influences in London yesterday. It muted the equity market's response to Wall Street's spectacular overnight rise and brought fresh gloom to currently-weak government stocks.

Leading shares started higher but institutional and other larger investors refused to be drawn, many having completed their funding requirements for the year.

The FT Ordinary index managed a 5.3 point advance in early trading although the gain was cut back as the day progressed. None the less, the measure was still at a fourth consecutive record closing level of 942.6, up 2.7 on the day.

Investors worried by sterling's persistent weakness reduced their holdings in gilt-edged securities. The sales found the market none too receptive in view of deteriorating futures quotations and longer-dated gilts finally lost ¾ more in places.

Chief price changes, Page 24; Details Page 25, Share information service, Pages 26–27

HONG KONG

FURTHER GAINS were recorded by shares in Hong Kong as the colony reacted with guarded optimism to the signing in Peking of the Sino-British agreement for the return of the territory to China in 1997.

The Hang Seng index added 7.18 to 1,173.31 – its highest level since July 30 1982.

On the domestic front, confidence was boosted by New World Developments' announcement that it is to build a HK$1.5bn hotel and exhibition centre on government land. New World gained 15 cents to HK$4.82.

SINGAPORE

A FIRMER tone in Singapore, which took the Straits Times industrial index up 4.35 to 796.63, was seen as a technical reaction to the market's sharp decline on Tuesday.

Concern, however, continued to be expressed about the position of the Malaysian Chinese Association in the ruling National Front coalition and expectations of slower economic growth and poor corporate earnings next year.

Among actively traded issues, Promet and Sime Darby each eased 3 cents to S$1.75 and S$1.80 respectively, while Pahang Consolidated rose 1 cent to S$1.

AUSTRALIA

SOME late profit-taking took shares off their highs for the day in Sydney after the market had rebounded in the wake of the sharp losses of the previous two sessions.

The All Ordinaries index added 10 to 718.1, with encouragement being drawn from the recovery in international bullion prices.

Mining and resources issues led the upturn. Elsewhere, Elders IXL picked up 8 cents of Tuesday's 12-cent decline to close at A$3.08.

SOUTH AFRICA

AN EARLY advance in gold shares was maintained in Johannesburg although turnover was limited. Libanon added 50 cents to R40.50 while Sallies put on 25 cents to R6.15.

Diamond share De Beers gained 6 cents to R8.20, but other mining and financials gained little attention. Industrials were also mostly neglected and drifted easier.

CANADA

A STEADY advance was seen in Toronto in heavy trading fuelled by this week's declines in U.S. interest rates and the prospects for further declines.

Gains were recorded over a broad section of the market with resource stocks leading the way. Golds also continued their recovery.

Montreal moved higher with advances being seen in industrials, utilities and banks.

TOKYO

Record high levels are approached

THE overnight rally on Wall Street provided the impetus for a surge in share prices in active Tokyo trading yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Buying interest shifted from international populars which had found demand in the morning to large-capital issues. Biotechnology-related pharmaceuticals were also traded actively.

The Nikkei-Dow average gained 98.22 to 11,558.43, nudging the all-time high of 11,577.44 recorded on December 4. Reflecting the popularity of big-capital issues, volume rose to 612.27m shares from Tuesday's 321.67m. Advances outstripped declines by 400 to 336 with 161 issues unchanged.

Blue-chip issues advanced broadly, aided by lower U.S. interest rates and Wall Street's overnight rebound. Quality issues with U.S. listings initially attracted buyers, while medium-priced blue chips also gained ground.

Interest in the quality issues faded in the afternoon, however. Matsushita Electric Industrial, after soaring Y50 above the previous day's close, finished Y40 up at Y1,580. Honda Motor added Y70 to Y1,290.

Despite the Wall Street surge, overseas sell orders placed with the big four brokerage houses in the morning outnumbered buy orders by 19m shares to 18.5m. Investors hoping for a rush of foreign demand to boost prices were disappointed.

Casio Computers and Pioneer, forecast to gain strength in coming weeks, consistently attracted buyers, closing Y30 up at Y1,860 and Y20 higher at Y2,750, respectively. Sony put on Y30 to Y3,730: it announced sharply higher fourth-quarter profits.

Large-capital issues represented six of the 10 most active stocks. Mitsubishi Heavy Industries topped the active list with 46.11m shares, gaining Y8 to Y259. Nippon Steel ranked second with 40.77m shares and firmed Y3 to Y152. Other actively traded issues included Kawasaki Heavy Industries, up Y8 to Y164, Kawasaki Steel, up Y2 to Y150, and Tokyo Gas, up Y5 to Y175.

Tokyo Electric Power stock, with a face value of Y500, gained Y70 to Y1,550 on a bright earnings forecast due to lower interest rates, ranking ninth in the active list. In step, Kansai Electric Power rose Y50 to Y1,420.

Elsewhere, biotechnology-related issues soared. Toyojozo, fifth busiest with 16.14m shares, climbed Y130 to Y1,190 and Asahi Chemical, third with 26.67m shares, advanced Y18 to Y657.

The bond market turned higher, in response to falling U.S. interest rates and the firming credit market. The yield on the benchmark 7.3 per cent government bond in December 1993 slipped to a new low for this year of 6.490 per cent from Tuesday's 6.535 per cent. The continued price uptrend led many institutional investors to sell. A large trust bank, however, bought nearly Y100bn worth of bonds with about nine years remaining to maturity.

EUROPE

Amsterdam hits the high spots

SEASONAL CHEER was evident on the major European bourses yesterday as investors, particularly in the Netherlands, took heart from the dramatic overnight surge in New York share values.

The perception that U.S. interest rates would fall further, with a subsequent decline in Europe in the new year, buoyed sentiment although price rises were not uniform and some sectors finished mixed.

Hectic foreign and domestic demand took **Amsterdam** to a record high with the ANP-CBS general index rising 2.4 to 182.3.

Internationals were actively sought. Unilever and Royal Dutch both gained Fl 2.70 to Fl 304.70 and Fl 171.50 respectively as Philips rose another 60 cents to Fl 55.70, approaching its peak for the year.

Banks were out of step with the broad advance as recently sparkling ABN held steady at Fl 363, after rising Fl 23.50 in the previous four sessions. AmRo lost all of the Tuesday's rise with a fall of Fl 1.70 to Fl 64.20.

Elsewhere, gains of one guilder were recorded by Akzo at Fl 99.90, Heineken at Fl 146 and Ned Mid Bank at Fl 147. Robeco extended the advances achieved in the earlier part of the week with a further Fl 1.10 gain to Fl 69.10, just below its high for the year. Bonds rose by between 10 and 30 basis points in thin trading.

Export-oriented blue chips were pursued in active **Frankfurt** trading that took the Commerzbank up 9.5 to 1,089.5.

Features included Daimler's DM 5 rise to DM 579.50 despite an IFO forecast that new car registrations would fall 8 per cent in 1985. Porsche fell DM 7 to DM 1,012.

Munich Re scored one of the best rises of the day, a DM 25 hop to DM 1,050 although Karstadt found some pre-Christmas cheer in a mixed stores sector with a proportionally more impressive DM 18 surge to DM 242.50.

Thin trading in bonds saw rises of up to 25 basis points as the Bundesbank sold DM 40.4m in paper compared with Tuesday's DM 54m in sales.

The new monthly trading account in **Paris** reversed recent weakness and boosted some shares to new highs for the year.

Among those at peaks were Moët-Hennessy, up FFr 96 at FFr 1,900 and Thomson-CSF, FFr 10 stronger at FFr 405.

Tuesday's shakeout in foods was partially undone by a FFr 15 rise to FFr 860 for Lesieur and a FFr 19 advance to FFr 2,429 for BSN. Skis Rossignol recouped FFr 111 of recent losses to FFr 1,711.

Milan was spurred on by cabinet approval of a tax reform package and higher industrial output figures for October. Fiat continued to gain with a L21 rise to L2,050 and Olivetti moved L25 higher to L5,825, ahead of plans to seek a Brussels listing next year.

A firmer **Brussels** saw unease over oil prices clip another BFr 20 off Petrofina at BFr 6,970 and utilities turned lower.

Banks were lower in **Madrid** although BHA moved against the trend with a 3 point rise to 185 per cent of nominal value.

Broad gains in **Zurich** took Nestlé SwFr 70 up to SwFr 5,520 while Hoffmann-La Roche staunched recent losses with a SwFr 500 gain to SwFr 86,500. Banks were mixed and bonds turned higher.

Stockholm advanced as Electrolux, most active, scored a SKr 7 rise to SKr 243.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	15¾	AAR	.48	2.7	14	234	18	17¾	17⅞	+⅜
30½	9⅛	AGS			8	578	11⅛	10⅝	11	+⅜
22	13½	AMCA	1	7.0		12	14½	14¼	14¼	-¼
17⅞	13⅛	AMF	.50	3.4	81	332	14⅝	14½	14⅝	
41⅛	24¾	AMR			6	10635	37	35⅝	36¼	-½
20⅜	18¾	AMR	pf2.18	11.		46	19⅛	19	19	-⅛
41½	27½	AMR	pf2.13	5.8		186	37½	36⅝	36⅝	-½
25⅛	22⅞	ANR	pf2.67	11		1	24	24	24	+¼
23	19	ANR	pf2.12	11.		4	19⅝	19⅝	19⅝	
15⅝	8½	APL			3	54	11⅞	11⅝	11⅝	
71⅞	40¾	ARA	2.10	2.9	14	404	u71⅞	71½	71⅝	
69¾	43⅜	ASA	3	6.4		1093	47⅛	46½	46¾	+⅛
30⅛	16	AVX	.32	1.9	10	691	17⅛	16½	16⅝	-⅛
48⅝	36¼	AbtLab	1.20	2.8	13	2731	42¾	42⅛	42⅝	+⅛
23⅜	16½	AccoWd	s.44	1.9	19	303	22⅜	22⅜	22⅜	-¼
27¼	12½	AcmeC	.40	3.0		262	14⅛	13⅝	13⅝	-⅛
12⅛	8¾	AcmeE	.32b	3.6	13	34	9	9	9	
18⅜	15	AdaEx	2.11e	13		72	16⅜	16⅝	16⅝	+¼
18⅞	11⅞	AdmMl	.32	2.1	8	20	15⅝	15⅛	15⅛	
21½	8⅞	AdvSys	.81t	7.4	10	354	11	10¾	11	+⅛
41⅛	25⅛	AMD			13	14873	30½	28¾	29¾	+⅞
14⅛	6⅞	Advest	.12	1.5		362	8½	8	8	
16¾	8⅛	Aeroflex			10	90	10⅛	10⅛	10⅛	
39	27¼	AetnLf	2.64	7.3	30	2384	37	35⅞	36	-⅛
58⅜	52⅞	AetL	pf5.87e	11		200	54¼	54	54⅛	-⅛
34½	15⅛	Ahmns	1.20	4.6	12	848	26½	26	26⅛	-¼
5⅛	2⅞	Aileen				60	3	2⅞	2⅞	
48⅜	36½	AirPrd	1.20	2.5	10	819	47⅛	47⅛	47½	-⅛
30½	13	AirbFrt	.60	3.1	11	359	20	19½	19½	
4⅛	1⅞	AlaMoa	.50e	13		369	4	3⅞	4	
31	26⅛	AlaP	pfA3.92	13.		5	30	30	30	
7¾	6	AlaP	dpf.87	12		67	7⅛	7	7	
71	61½	AlaP	pf 9	13		z100	67½	67½	67½	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 23

هكذا من الأصل

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 24

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 22

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 24

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full

WORLD STOCK MARKETS

AUSTRIA

Dec. 19	Price Sch %	+ or —
Creditanstalt	226	—1
Goesser	329	
Interunfall	400	
Laenderbank	227	-1
Perlmooser	356	
Steyr-Daimler	165	-1
Veitscher Mag.	245	-2

BELGIUM/LUXEMBOURG

Dec. 19	Price Frs.	+ or —
B.B.L.	1,875	
Banq. Int. A. Lux	5,500	
Bekaert B.	4,550	-50
Ciment CBR	2,500	--15
Cockerill	271	-3
Delhaize	5,350	-150
EBES	2,860	
Electrobel.	8,440	-20
Fabrique Nat	2,075	+15
GB Inno BM	3,185	-10
GBL (Brux.)	2,115	-40
Gevaert	3,485	-5
Hoboken	6,100	—10
Intercom	2,110	—10
Kredietbank	7,580	-10
Pan Hldgs.	9,750	-50
Petrofina	6,970	-20
Royale Belge	10,200	
Soc. Gen. Banq	3,420	
Soc. Gen. Belge	1,850	
Sofina	7,650	
Solvay	4,180	+5
Stanwick Intl.	1,440	
Tractionel.	4,030	-40
UCB	5,000	—10
Wagon Lits	2,450	—40

DENMARK

Dec. 18	Price Knr %	+ or —
Andelsbanken	279	-1
Baltic Skand	550	5
CopHandelsbank	283	-3
D. Sukkerfab	510	-5
Danske Bank	283	-1
De Danske Luft.	1,105	+50
East Asiatic	151	-1
Forenede Brygg.	790	
Forenede Damp.	55	-2
GNT Hldg	380	
I.S.S.B.	371	-2
Jyske Bank	499	
Nova Ind.	1,345	+10
Privatbanken	240	-2
Provinsbanken	347	-2
Smidth (F.)	229	-2
Sophus Berend	965	55
Superfos	419	

FRANCE

Dec. 19	Price Frs.	+ or —
Emprunt 4½% 1973	1,632	-2
Emprunt 7% 1973	8,137	-107
Accor	240	+5
Air Liquide	562	+10
BIC	509	-31
Bongrain	1,692	-42
Bouygues	681	-18
BSN Gervais	2,349	-19
CIT-Alcatel	1,295	-31
Carrefour	1,820	+20
Club Mediter'n	1,045	-20
Cie Bancaire	683	-13
Cofimeg	240	-0.4
Damart	2,240	+40
Darty	1,148	-2
Dumez S.A.	677	-35
Eaux (Cie Gen)	638	-7
Elf-Aquitane	224.8	-5
Essilor	2,940	+80
Gen. Occidentale	640	-9
Imetal	76.1	+1.1
Lafarge Coppee	371.5	-11.4
L'Oreal	2,250	+70
Legrand	1,850	-17
Maisons Phenix	183.5	—0.5
Matra S.A.	1,775	+30
Michelin B.	775	-25
Midi (Cie)	2,175	+125
Moet-Hennessy	1,900	-96
Moulinex	93.5	-2
Nord Est.	71.2	+2.2
Pernod Ricard	750	+17
Perrier	490	-8
Petroles Fra.	247	+9
Peugeot S.A.	249	+5
Printemp.Aus.	192	-5
Radiotech	211	
Redote	1,220	+31
Rousul-Uclaf	1,623	-93
Sefimeg	290	-5
SkisRossgnol	1,711	-111
Telemech Elect.	2,245	-40
Thomson CSF	405	-10
Valeo	224	—7

GERMANY

Dec. 18	Price Dm.	+ or —
AEG-Telef.	102.5	-2
Allianz Vers.	971	-1
BASF	180.5	+2.2
Bayer	189.2	—1.8
Bayer-Hypo	325.5	+2.5
Bayer-Verein	329.5	+2.5
BHF Bank	275	—2
BMW	371	+2.5
Brown Boveri	201	-1.5
Commerzbank	170.2	-0.5
Cont'l. Gummi	115.5	-1.9
Daimler Benz	679.5	+5
Degussa	343	+3
D'sche Babcock	145.5	—0.5
Deutsche Bank	383.1	-2.1
Dresdner Bank	191.1	+1.1
GHH	152.8	+5.4
Hochtief	495	+5
Hoechst	186.2	+3
Hoesch Werke	97	
Holzmann (P.)	387	-2
Horten	180	-3
Hussel	260	-2
Karstadt	242.5	—16
Kaufhof	221	—3
KHD	251	—0.8
Kloeckner	68.8	+0.8
Linde	390	-1
Lufthansa	181	+0.8
MAN	146.2	+1.7
Mannesmann	146.2	+1.7
Mercedes Hld.	498	
Metallgesell.	214.5	—2.4
Munech Rueck	1050	—25
Nixdorf	519	+0.3
Porsche	1,012	—7
Preussag	252	-0.5
Rhein West Elect	163.8	+2.1
Rosenthal	248.5	+1
Schering	429.5	-2.5
Siemens	461	+4.7
Thyssen	81.5	+1.2
Varta	174.8	+0.3
Veba	171.8	+2.3
V.E.W.	122.3	+0.3
Verein-West.	295	-2
Volkswagen	201.5	+1.8

ITALY

Dec. 19	Price Lira	+ or —
Banca Com'le	15,850	-250
Bastogi-IRBS	147	+2
Centrale	2,171	+26
Credito Varesino	3,785	—50
Fiat	2,050	-21
Finsider	46.75	
Generali Assicur.	33,700	+110
Invest	2,925	
Italcementi	65,500	-200
La Rinascenti	524	+6
Montedison	1,380	+20
Olivetti	5,825	+25
Pirelli Co.	3,480	—31
Pirelli Spa	1,915	+15
Snia BPD	2,115	-10
Toro Assic.	18,295	—55
do. Pref	9.199	-51

NETHERLANDS

Dec. 19	Price Fls	+ or —
ACF Holding	187.5	
AEGON	147	+0.3
Ahold	186.3	-4.3
AKZO	99.9	+1
ABN	365	
AMEV	201	-3.3
AMRO	64.2	-1.7
Bredero Cert.	157	+1
Bos Kalis Westm.	13.6	—0.5
Buehrmann-Tet.	73.3	-0.7
Calland Hldgs.	32.8	-0.8
Dordtsche Pet'm	158.2	+3.2
Elsevier-NDU	116.7	-0.1
Fokker	83.2	+0.7
Gist Brocades	170.5	+1.3
Heineken	146	+1
Hoogovens	64.9	+0.8
Int Mueller	39.7	-1.8
KLM	46.3xc	—0.3
Naarden	47.4	+0.4
Nat Ned Cert	245.8	+0.3
Ned Mid Bank	147	+1
Nedlloyd	161.8	+1.2
Oce Grinten	281.5	
Ommeren (Van)	27.5	+0.1
Pakhoed	68	
Philips	55.7	-0.6
Robeco	69.1	+1.1
Rodamco	145.9	
Rolinco	62.8	—0.8
Rorento	43.9	+0.2
Royal Dutch	171.5	+2.7
Unilever	304.7	-2.7
VMF Stork	141	-1.5
VNU	204.5	-0.5
West Utr Bank	122	+1.5

NORWAY

Dec. 19	Price Kroner	+ or —
Bergens Bank	159	
Borregaard	318	+8
Christiania Bank	157.5	
DenNorske Cred	167	-1
Elkem	107.5	
Kvaerner	162.5	
Norsk Data	266	
Norsk Hydro	101.5xa	
Storebrand	210	-8

SPAIN

Dec. 19	Price Pta %	+ or —
Bco Bilbao	319	-6
Bco Central	319	-2
Bco Exterior	207	
Bco Hispano	185	+3
Bco Popular	372	-3
Bco Santander	330	-2
Dragados	156	
Hidrola	78	—1.2
Iberduero	81.7	—1.5
Petroleos	145	—0.5
Telefonica	93	—1

SWEDEN

Dec. 18	Price Kronor	+ or —
AGA	358	-2
Alfa-Laval	197	-5
ASEA (Free)	325	-10
Astra (Free)	320	-10
Atlas Copco	96.5	-1.5
Cardo (Free)	245	
Cellulosa	117	
Electrolux B	236	-3
Ericsson	248	-4
Esselte	295	
Mo Och Domsjo	259	-3
Pharmacia	188	-2
Saab Scania Free	445	
Sandvik	333	+3
Skandia	280	—20
Skan Enski'da	50	—0.5
SKF	167	
St Kopparbergs	155	
Sven Handlesbn.	184	-2
Swedish Match	249	-1
Volvo B (Free)	217	-4

SWITZERLAND

Dec. 19	Price Frs.	+ or —
Alusuisse	735	
Bank Leu	3,775	-25
Brown Boveri	1,385	+10
Ciba Geigy	2,425	-10
do. (Part Certs)	1,985	+5
Credit Suisse	2,330	
Elektrowatt	2,620	+10
Fischer (Geo.)	610	-5
Hoff-RochePtCts	86,500	+500
Hoff-Roche 1/10	8,650	+50
Jacobs Suchard	6,275	
Jelmoli	1,925	-15
Landis & Gyr	1,535	-15
Nestle	5,520	-70
Oer-Buehrle	1,310	
Pirelli	254	-2
Sandoz (Br)	7,000	-50
Sandoz (PtCts)	1,095	-5
Schindler (PtCts)	635	—5
Sika	1,040	
Surveillance	3,725	—5
Swissair	1,030	-25
Swiss Bank	355	
Swiss Reinsce	8,350	-25
Swiss Volksbk.	1,475	-10
Union Bank	3,575	+15
Winterthur	3,300	
Zurich Ins.	17,975	+25

AUSTRALIA

Dec. 19	Price Aust $	+ or —
ANZ Group	5.04	-0.04
Alliance Oil Dev.	1.05	
Ampol Pet.	1.75	—1.75
Ashton	0.83	-0.02
Aust Cons Ind.	1.84	-0.05
Aust. Guarantee	2.63	-0.05
Aust. Nat. Inds	2.4	-0.05
Aust. Paper	2.14	-0.01
Bell Group	5.30	
Bell Res.	4	
Bond Corp Hldgs	1.17	
Boral	3.18	-0.03
Bougainville	1.65	+0.11
Brambles Inds.	3.45	
Bridge Oil	2.20	
B.H. Prop	4.92	+0.12
CRA	4.82	—0.1
CSR	2.78	+0.07
Carlton Utd.	4.30	
Castlemaine Tys.	4.3	—0.05
Coles (G.J.)	3.85	+0.05
Comalco "A"	2.1	+0.1
Consolidated Pet	0.56	
Costain Aust	1.4	
Dunlop Aust.	1.87	-0.03
Elders IXL	3.08xc	-0.08
Energ Res.	1.44	

AUSTRALIA (continued)

Dec. 19	Price Aust. $	+ or —
Gen Prop Trust	2.16	—0.01
Hardie (James)	3	
Hartogen Energy	2.3	-0.05
Herald W'yTimes	3.4	+0.05
ICI Aust.	2	
Jimberlana F.P.	0.3	
Kia Ora Gold	0.12	+0.01
Lend Lease	5.2	
MIM	2.35	-0.13
Mayne Nickless	2.96	-0.01
Myer Emporium	1.7	
Nat. Aust Bank	3.49	-0.05
News	9.56	-0.12
Nicholas K-wi.	5.18	+0.04
North Bkn Hill	1.98	-0.04
Oakbridge	0.63	—0.01
Pancont'l	1.0	+0.03
Pioneer Conc.	1.54	-0.04
Poseidon	2.62	-0.12
Queensland Coal	1.1	-0.01
Reckitt & Coln.	3.1	
Repco	1.12	-0.01
Santos	6.58	-0.02
Smith (Howard)	3.35	-0.05
Thos. Natwide.	1.72	+0.02
Tooth	5.86	
Vamgas	3.05	
Western Mining	2.76	-0.16
Westpac Bank	3.88	-0.05
Woodside Petrol.	1.03	+0.01
Woolworths	3.6	0.05
Wormald Intl	3.02	

HONG KONG

Dec. 19	Price H.K.$	+ or —
Bank East Asia	22.7	—0.1
Cheung Kong	9.75	+0.1
China Light	12.1	+0.2
Evergo	1.56	
Hang Seng Bank	41.25	—0.5
HK Electric	6.45	—0.05
HK Kowloon Wh.	4.97	+0.05
HK Land	3.97	—0.05
HK Shanghai Bk.	7.75	+0.1
HK Telephone	48.5	
Hutchison Wpa.	17.4	+0.2
Jardine Math.	8.6	—0.05
New World Dev.	4.82	+1.5
Orient O'seas.	2.77	
Oseas Trust Bk.	2.52	-0.05
SHK Props.	7.65	—0.1
Shell Elect.	1.85	—0.01
Swire Pac A.	21.3	
TV—B	5.2	+0.35
Wheel'k Mard A.	3.95	
Wheel'k M'time	1.13	—0.02
World Int. Hldgs.	1.64	-0.05

JAPAN

Dec. 19	Price Yen	+ or —
Ajinomoto	1,090	—10
Alps Electric	2,060	-20
Amada	1,180	+30
Asahi Chem.	657	-18
Asahi Glass	916	—2
Bridgestone	538	—7
Canon	1,600	+30
Casio Comp.	1,860	+30
Chugai Pharm.	1,120	
Citizen	585	—10
Daiei	631	+1
Dai Nippon Ptg	990	—10
Daiwa House	574	+9
Ebara	340	—4
Eisai	1,390	+20
Fanuc	11,420	—40
Fuji Bank	1,230	+30
Fuji Film	1,700	+20
Fujisawa	940	—11
Fujitsu	1,400	+40
Green Cross	1,620	+20
Hasegawa	360	
Heiwa Real Est	674	+4
Hitachi	889	+9
Hitachi Credit	1,070	—10
Honda	1,290	+70
House Food	681	
Hoya	2,230	—60
Itoh (C)	312	+2
Ito. Yokado	2,600	—30
Iwatsu	1,420	—10
JACCS	330	—6
JAL	6,600	+100
Jusco	715	—15
Kajima	270	
Kao Soap	813	+13
Kashiyama	610	—10
Kirin	640	—3
Kokuyo	816	
Komatsu	456	+9
Konishiroku	605	-8
Kubota	325	+2
Kumagai	479	-3
Kyoto Ceramic	7,210	+90
Maeda Const	475	+4
Makino Milling	1,230	+30
Myakita	1,040	+10
Marubeni	307	-6
Marudai	540	—2
Marui	1,180	+80
MEI	1,580	+40
M'ta Elec Works	640	—6
M'bishi Bank	1,220	+10
M'bishi	517	—2
M'bishi Elec.	407	+1
M'bishi Estate	535	+14

JAPAN (continued)

Dec. 19	Price Yen	+ or —
MHI	259	-8
Mitsui Co	341	+8
Mitsui Estate	668	—12
Mitsukoshi	357	
NGK Insulators	977	—6
Nihon Cement	210	+1
Nippon Denso	1,460	
Nippon Elect	1,270	+10
Nippon Express	358	-4
Nippon Gakki	1,490	-30
Nippon Kokan	141	-3
Nippon Oil	900	
Nippon Seiko	660	+5
Nippon Shimpan	565	+3
Nippon Steel	152	-3
Nippon Suisan	325	—10
NTV	13,690	-180
Nippon Yusen	250	+6
Nissan Motor	630	-10
Nisshin Flour	476	—9
Nisshin Steel	178	-12
Nomura	888	+14
Olympus	1,170	+10
Orient Leasing	3,520	+170
Pioneer	2,750	-20
Renown	659	+9
Ricoh	985	—4
Sankyo	905	—5
Sanyo Elect.	463	+3
Sapporo	390	—2
Sekisui Prefab	573	-3
Seven-Eleven	9,050	—50
Sharp	1,020	—30
Shimadzu	850	
Shionogi	685	-3
Shiseido	1,080	—20
Sony	3,730	+30
Stanley	925	-15
S'tomo Bank	1,670	+10
S'tomo Elect	975	—3
S'tomo Marine	640	
S'tomo Metal	154	+6
Taihei Dengyo	521	—4
Taisei Corp	200	
Taisho Pharm.	925	-5
Takeda	743	—3
TDK	5,240	+130
Teijin	433	—2
Teikoku	670	+6
Tokyo Marine	710	-5
TBS	870	+30
Tokyo Elect Pwr	1,550	+60
Tokyo Gas	175	+5
Tokyo Sanyo	693	+7
Tokyo Style	723	—7
Tokyu Corp.	303	—2
Toppan Print	870	—2
Toray	428	+8
Toshiba Elect.	431	—2
TOTO	610	—5
Toyo Seikan	600	
Toyota Motor	1,260	—10
Victor	1,990	+10
Wacoal	730	—10
Yamaha	754	+34
Yamanouchi	2,060	+40
Yamazaki	715	
Yasuda Fire	365	—5
Yokogawa Bdge.	420	—8

SINGAPORE

Dec. 19	Price $	+ or —
Boustaad Hldgs.	1.68	+0.07
Cold Storage	2.5	—0.01
DBS	5.75xa	—0.05
Genting	4.88	+0.04
Haw Par. Bros.	2.05	—0.05
Hong Leong Fin.	3.12	+0.02
Inchcape Bhd.	2.42	—0.01
Keppel Shipyard	1.57	—0.01
Malay Banking	6.6	+0.1
Malay Utd. Ind	2.39	+0.05
Multi Purpose	0.94	+0.02
OCBC	8.95	+0.05
OUB	3.88	+0.02
Public Bank	1.72	+0.05
Sime Darby	1.8	—0.03
Straits Trdg.	4.6	+0.02
Tat Lee Bk.	2.91	—0.01
UOB	4.20	+0.06

SOUTH AFRICA

Dec. 19	Price Rand	+ or —
Abercom	1.3	—0.05
AE&CI	7.7	
Anglo Am Coal	39.5	
Anglo Am Corp.	21.8	+0.3
Anglo Am Gold	163	+3
Barclays Bank	17	
Barlow Rand	10.3	—0.1
Buffels	66	—2.5
CNA Gallo	2.6	
Currie Finance	4.4	
De Beers	8.2	+0.06
Driefontein	47.5	+2
FS Geduld	44	+1.85
Gold Fields SA	26	+1.25
Highveld Steel	5.5	
Nedbank	11.7	+0.2
OK Bazaars	15	
Protea Hldns.	1.6	
Rembrandt	28.75	—0.25
Rennies	14.25	
Rust Plat	14.8	+0.3
Sage Hldgs.	7.3	
SA Brews.	6.85	
Smith (CG)	22	
Tongaat Hulett	1	
Unisec.	5	

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Argyll Group	270	+ 8
BAT Inds	353	+ 8
BTR	593	+10
Beecham	385	+12
Bestobell	310	+20
Bougainville	118	+11
Bowater Inds	213	+20
Buffels	£30⅞	+£2⅞
Causton (Sir J)	121	+16
Clay (Richard)	103	+11
Davy Corp	84	+ 6
Dixons Group	552	+23
Grand Met	330	+10
Henderson Ad	545	+35
Kloof	£31⅞	+£3⅝
Randfontein	£79¼	+£3¼
Rowntree Mack	385	+ 7
Sedgwick	340	+11
Stakis	162	+ 6
Sterling Guar	66	+ 3

FALLS

Ex. 10 89	£95¹³⁄₁₆	—£¼
Tr 13¾ 00-03 xd	£119¼	—£⅜
Britoil	195	— 8
Burmah Oil	223	— 7
Crystalate	245	—30
LASMO	317	— 8
Lucas Inds	252	— 5
Pict Petroleum	135	— 8
Sumrie Clothes	60	— 8
Westland	125	—11

Continued on Page 32

CANADA

TORONTO
Prices at 2.30pm December 19

Sales	Stock	High	Low	Close	Chng
[illegible]					

MONTREAL
Closing prices December 18

Sales	Stock	High	Low	Close	Chng
[illegible]					

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 23

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

NEW YORK CLOSING PRICES

Continued from Page 23

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

MARKET REPORT

Pound's decline mutes equity market's response to spectacular Wall Street rise

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Dec 10	Dec 20	Dec 21	Jan 7
Dec 24	Jan 10	Jan 11	Jan 21
Jan 14	Jan 24	Jan 25	Feb 4

* "New-time" dealings may take place from 9.30 am two business days earlier.

The pound's slide to another all-time low overshadowed all other influences in London yesterday. It offset the equity market's response to Wall Street's spectacular rise overnight of nearly 35 points and brought fresh depression to currently-weak Government stocks. Slightly better news from the Opec meeting in Geneva, including a report that Saudi Arabia would cut production if necessary, made little impression.

Sterling slumped to $1.1730 against the dollar, with the trade weighte dindex also falling to a worst-ever level, before staging a tentative recovery. But the dollar strengthened again late following the announcement of the U.S. fourth-quarter "flash" GNP estimate. The indicated rise of 2.8 per cent was higher than generally expected and it sent Wall Street values surging forward again in the early trade.

Leading shares in London started higher, but institutional and other larger investors refused to be drawn, many having completed their funding requirements for the year. Some private clients placed funds in consumer-orientated sectors such as Stores and Foods, while speculative inquiries were directed towards a few situation stocks. Business overall, however, appeared to be winding down in front of the approaching holiday and tomorrow's end of the current trading Account.

Soon after the opening, the FT Ordinary share index was 5.3 up. The gain was witled back to one of 2.7, but the close of 942.6 was still a new record. With the exception of Beecham and BTR, constituents of the index showed small irregular changes. Oils, which had tended to resist continuing oil price uncertainties, succumbed after hours to lumpy selling.

Investors worried by sterling's persistent weakness reduced their holdings in Gilt-edged securities. The sales found the market none too receptive in view of deteriorating futures quotations and longer-dated Gilts finally lost ¼ more in places. The shorts, after looking more stable initially on U.S. interest rate hopes, later gave ground in sympathy with longer maturities and closed around ¼ lower on balance.

Lloyds Brokers firm

The sector's considerable dollar earnings potential attracted buyers to Lloyds Brokers. Willis Faber closed 12 higher at 570p. Sedgwick 11 better at 340p and Stewart Wrightson 10 dearer at 490p. Recently-popular C. E. Heath touched 555p but could only close a few pence harder at 548p, while Minet ended 3 up at 217p, after 219p. Life issues, still hoping for further takeover developments within the sector following BAT Industries' £664m agreed offer for Hambro Life, improved again. Sun Life gained 10 to 784p and Legal and General 8 to 558p, while Britannic firmed 7 to 590p. London and Manchester rose 7 to 670p.

British Telecom touched 102½p prior to closing unchanged at 101½p; dealers reported small public sales but these were eagerly mopped up by institutional investors.

After an encouraging initial flurry, business in Breweries declined and share prices behaved similarly. Allied-Lyons, relatively neglected of late, touched 161p before closing a penny lower on balance at 156p, while Bass eased 3 to 477p, after 483p. Grand Metropolitan, however, attracted steady support and advanced 10 to 330p in front of today's preliminary figures. Greenall Whitley, 160p, and Arthur Guinness, 200p, rose 4 and 3 respectively. Regionals continued to make progress. Recent speculative favourite Matthew Brown attained a new 1984 peak of 248p but encountered profit-taking later and settled only 4 dearer on balance at 242p—still up 20 in the last two trading sessions. Vaux rose 7 more to 280p, while Greene King firmed 4 to 160p. Mansfield, in contrast, eased a few pence to 379p following the disappointing interim statement. Elsewhere, Distillers met nervous selling in front of today's half-timer and dipped 5 to 306p.

Leading Buildings benefited from light support and closed with modest gains. Blue Circle edged up a couple of pence to 485p, while Redland, 296p, and BPB Industries, 285p, both gained 5. Costain improved 2 to a 1984 peak of 354p and AMEC moved up 4 to 257p. George Wimpey, the subject of U.S. buying recently, hardened the turn to 116p, but Tarmac slipped 4 to 520p on lack of interest. Elsewhere, Y. J. Lovell put on 2 to 220p following good annual results and the acquisition of Charter Homes for £7.2m.

Chemicals remained buoyant. ICI's re-rating in the wake of its recent major U.S. acquisition continued and the close was 4 higher at 744p, after 746p. Laporte rose 5 more to 405p and Hickson International firmed 4 to 442p following acquisition news. Renewed demand in a market short of stock lifted Coalite 6 to 226p, while newsletter comment boosted Blagden Industaries 4 to 138p.

Dixons up again

Institutional investors displayed renewed enthusiasm for Dixons which advanced 23 more to 552p—a gain of 42 so far this week; Currys rose 15 to 614p. Elsewhere, Superdrug rose 8 to 413p awaiting today's third-quarter figures, but Sumrie Clothes reacted to sporadic profit-taking and closed 8 off at 60p. Leading Stores failed to capitalise on a firm opening and gains were usually pared to just a couple of pence. Gussies "A" rose 6 more to 703p and Woolworth recovered from Tuesday's sizeable share placing to close 5 up at 583p.

FII rose 15 to 235p in belated response to a newsletter investment recommendation.

Crystalate weakened in Electricals, plunging 30 to 245p on acute disappointment with the annual results. Elsewhere, Lec Refrigeration encountered profit-taking and dropped 10 to 325p, while Microvetic lost the same amount at 120p. Recently beleaguered Security Centres, however, picked up 6 to 168p following the chairman's resignation and confirmation of the group's acquisition of privately-owned defence and security consultants, Defence Systems International.

The shock 35 per cent decline in Westland's annual profits to £16.75m disappointed analysts having predicted earnings more in the region of £20m to £21m. Consequently, the shares were immediately marked down and touched 121p before closing 11 lower on balance at 125p. Davy International, on the other hand, advanced 6 to 84p, after 86p, following a resurgence of bid speculation. ML Holdings gained 12 to 342p and Simon closed the same amount higher at 226p. Molins put on 7 to 139p, while Matthew Hall improved 6 to 300p as did Pegler-Hattersley, to 264p. Chemring rose 15 to 500p in response to the annual results.

Takeover favourites held the limelight in Foods. Rowntree Mackintosh moved up 7 to 385p and United Biscuits rose 5 more to 194p, while Ranks Hovis McDougall, up 7 on Tuesday, touched 128p prior to closing a net penny higher at 126p. Retailers presented a mixed appearance. Argyll continued to attract support in a market short of stock and gained 8 more to 270p, but Associated Dairies shed 4 to 154p following sales of employee shares.

Among Hotels, revived buying in a restricted market lifted Savoy "A" 6 to 162p. Stakis gained a similar sum to 162p on talk that the group is about to announce a major acquisition.

Bowater good

U.S. favourites were at the forefront of the miscellaneous industrial sector's advance. Bowater were particularly favoured and closed 20 higher at 213p, while BTR added 10 at 593p. Beecham, which recently purchased BAT Industries' cosmetics business for £125m, closed 12 to the good at 385p, while Glaxo hardened ½ to £11. Metal Box touched a new high for the year of 404p reflecting continuing speculation of a bid from Hanson Trust, before reacting on light profit-taking to close 4 easier on the day at 396p. BOC reflected adverse Press comment with a fall of 3 to 265p. Elsewhere, Bestobell jumped 20 to 310p, after 315p, following the appointment of Mr John Dowling as chief executive; the rise was also accompanied by vague rumours of a bid from BTR, which owns a 24 per cent stake in Bestobell. In the wake of the annual meeting, Smiths Industries rose 12 to 700p and, after their respective interim statements, Syltone, 162p, and Philip Harris, 126p, were up 2 apiece. Steetley rose 6 at 286p and LCP 7 to 108p.

A combination of fresh U.S. demand and an active traded options business lifted Jaguar 6 to 228p. Lucas Industries, on the other hand, continued to react to the chairman's cautious statement and shed 5 more to 252p, after 251p.

Renewed enthusiasm was shown for Publishers. Associated Newspapers, preliminary results due January 11, rose 11 to 498p, while Daily Mail "A" advanced 15 to 860p. Sir Joseph Causton spurted 16 to 121p following the bid terms from Norton Opax, 3 up at 156p; Norton acquired a 21.6 per cent stake in Causton from Fleet Holdings last Friday. Paper/Printings attracted a substantial measure of speculative attention. Richard Clay were particularly good and rose 11 to 103p, while long-time takeover favourite DRG rallied 5 to 152p. Publicity given to a broker's circular lifted Bunzl 8 at 423p, while Associated Paper, which revealed exceleint annual figures last week, firmed 3 more to 205p. John Waddington provided a late feature, rising 15 to 470p as unsuccessful bidders British Printing and Communication placed its entire holding of around 22.5 per cent in Waddington with various institutions.

Properties put up a firm performance, but gains were only modest. Land Securities hardened a couple of pence to 317p and MEPC edged up 3 to 318p. Comment on the interim results helped British Land rise 3 to 144p. Elsewhere, Sterling Guarantee rose 3 to 66p on speculation of a possible merger with P. and O., 3 firmer at 303p, after 305p. Speyhawk continued to reflect the good annual results and closed 7 up at 182p. Bairstow Eves slipped 2 to 78p after the rights issue proposal, but fellow estate agents Connells added 3 at 100p.

Among firmer Textiles, Victoria Carpet rose 3 to 27p following doubled first-half profits.

Bats continued to find favour in the wake of the sale of its cosmetic division to Beecham and rose 8 to 353p.

Henderson Administration advanced 35 to 545p in belated response to the sale of its 50 per cent interest in Far Eastern venture Henderson Baring Managament to partners Baring Brothers.

Oils sold late

The opening of the OPEC conference in Geneva saw leading Oils get off to a firm start. However, the initial strength of the sector, which mainly reflected strong overnight U.S. buying, was reversed during the late afternoon when, in heavy trading, leading issues came under persistent and often sizeable selling pressure. Having traded up to 488p at one point, BP subsequently retreated to close a net 3 off at 477p, while Shell came back from 658p to end the day only 5 up on balance at 645p. Royal Dutch settled ⅛ firmer at £41⅛, after £41⅜. Britoil dropped 8 to 195p, LASMO closed a like amount off at 317p, after 328p, and Enterprise dipped 4 to 178p.

Ultramar were a weak market throughout the session and gave up 12 at 208p.

A strong market in recent weeks amid persistent bid rumours, Burmah followed Tuesday's late decline with a further 7 fall to 223p; the company is selling its Flexibox subsidiary to EIS Group for £4.59m.

Voyager Petroleums (UK) hardened a couple of pence to 55p in the wake of the 55p per share bid from BP, which values the former at £5.5m.

Strong rally in Golds

Tuesday's surge on Wall Street, a much steadier performance by the beleaguered bullion price and sizable bear closing produced a strong rally throughout mining markets.

South African Gold shares were heavily bought in the U.S. overnight and continued to improve during early trading in London. However, the initial momentum gradually faded and prices closed well below their best levels, although many retained substantial gains over the session.

The Gold Mines index showed a recovery of 24.0 to 476.2.

Bullion closed 50 cents up at $309.75, having dipped to $308.75 at the morning fixing.

The strong rise on Wall Street inspired widespread gains in Australian markets overnight and quotations were marked sharply higher in London at the outset. Thereafter, persistent demand for the top quality stocks was only partly offset by scrappy selling and many leaders ended the day with double-figure gains. Western Mining and Peko-Wallsend advanced around 12 apiece to 196p and 314p respectively, while rises in the region of 11 were common to Bougainville, 118p, CRA, 342p, and MIM Holdings, 168p.

London-registered Financials provided features in Charter Consolidated which moved ahead to close 8 better at 185p. RTZ were a like amount to the good at 593p.

December expiry day in Traded Options passed off relatively quietly. Only Jaguar, which attracted 721 cals, 151 in the December 220's, and Beecham, which recorded 102 calls in the December 390's, managed to entice a noteworthy turnover. Demand for British Teelcom also subsided with 1,092 calls and 205 puts struck. Grand Metropolitan were wanted in front of today's annual results with 723 calls transacted, 343 in the January 300's which rose 6 to 33p. Total contracts struck yesterday amounted to 8,697.

FINANCIAL TIMES STOCK INDICES

	Dec. 19	Dec. 18	Dec. 17	Dec. 14	Dec. 13	Dec. 12	year ago
Government Secs	82.03	82.26	82.30	82.34	82.58	82.91	82.93
Fixed Interest	85.65	85.78	85.79	85.79	85.95	86.09	86.06
Ordinary	942.6	939.9	938.3	935.4	927.6	922.3	772.0
Gold Mines	476.2	452.2	467.7	504.0	517.5	531.6	580.1
Ord. Div. Yield	4.56	4.56	4.59	4.61	4.64	4.66	4.69
Earnings, Yld.% (full)	11.58	11.63	11.63	11.67	11.76	11.88	9.35
P/E Ratio (net) (*)	10.36	10.32	10.32	10.29	10.21	10.10	13.05
Total bargains (Est.)	24,343	26,711	27,343	27,921	29,435	32,828	20,006
Equity turnover £m.	—	384.96	434.77	436.93	353.94	371.89	264.44
Equity bargains	—	26,406	32,840	33,894	37,595	44,106	16,856
Shares traded (ml)	—	199.6	237.4	246.3	234.4	239.4	165.7

10 am 945.2. 11 am 943.4. Noon 943.8. 1 pm 943.0.
2 pm 942.6. 3 pm 942.6.

Basis 100 Govt. Secs. 15/1/28. Fixed Int. 1928. Ordoinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil = 10.02.

HIGHS AND LOWS

—	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Sec.	83.77 (9/1)	75.72 (30/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3)	80.43 (30/7)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	942.6 (19/12)	755.3 (23/7)	942.6 (19/12/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/3)	462.2 (18/12)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 18	Dec. 17
Daily Gilt Edged Bargains	137.9	147.5
Equities Bargains	171.1	212.4
Equities Value	778.1	878.6
5-day Average Gilt Edged Bargains	137.3	137.3
Equities Bargains	226.6	246.6
Equities Value	801.4	810.2

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Wed Dec 19 1984 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Tues Dec 18 Index No.	Fri Dec 14 Index No.	Fri Dec 14 Index No.	Thur Dec 13 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (205)	552.55	+0.1	9.60	3.79	13.05	552.21	552.59	551.29	547.60	463.83
2	Building Materials (23)	510.08	+0.7	13.04	4.85	9.49	506.68	506.69	502.95	500.30	446.44
3	Contracting, Construction (30)	733.58	+0.6	13.11	5.35	9.74	728.87	727.73	726.93	720.51	668.80
4	Electricals (14)	1598.58	+0.2	10.30	4.74	12.25	1595.63	1612.23	1605.85	1620.05	1640.12
5	Electronics (34)	1928.82	−1.2	7.61	2.51	16.97	1952.54	1963.56	1966.85	1960.56	0.0
6	Mechanical Engineering (60)	276.66	+1.1	12.88	4.65	9.87	273.70	272.75	271.67	268.68	211.93
8	Metals and Metal Forming (9)	167.83	+0.3	13.79	7.29	9.08	167.36	166.46	163.83	161.32	175.31
9	Motors (17)	138.38	+1.3	11.23	5.80	—	136.54	136.42	136.51	135.43	122.12
10	Other Industrial Materials (18)	824.16	+1.2	5.92	3.25	20.91	814.47	808.36	805.26	793.85	598.85
21	CONSUMER GROUP (189)	615.12	+0.9	9.46	3.82	12.76	609.54	607.78	600.75	593.61	468.79
22	Brewers and Distillers (23)	571.71	+0.6	11.77	4.56	10.44	568.20	566.28	558.64	547.26	445.66
25	Food Manufacturing (21)	471.91	+0.9	12.17	4.79	10.25	467.52	466.95	463.92	461.26	364.50
26	Food Retailing (12)	1433.75	−0.2	6.84	2.48	19.45	1436.82	1444.91	1436.23	1422.72	1057.85
27	Health and Household Products (9)	1019.75	+1.9	5.65	2.59	20.76	1001.10	1001.73	1003.84	996.86	726.16
29	Leisure (23)	676.64	+0.8	8.19	4.65	16.04	671.28	669.10	663.94	658.73	608.45
32	Newspapers, Publishing (13)	1445.58	+0.6	8.50	4.79	15.28	1437.09	1435.09	1440.71	1440.45	1059.62
33	Packaging and Paper (14)	289.68	+1.5	12.68	5.08	9.18	285.33	282.93	281.28	280.04	217.62
34	Stores (45)	544.56	+0.4	7.41	3.41	16.18	542.35	540.58	538.98	526.54	429.80
35	Textiles (19)	297.96	+1.1	13.38	4.69	8.61	294.61	292.09	288.45	285.57	252.62
36	Tobaccos (3)	905.52	+1.9	13.90	4.24	8.82	888.25	877.34	822.14	821.48	491.06
39	Other Consumer (7)	517.37	+0.1	13.12	4.31	—	516.77	512.76	510.16	508.63	450.02
41	OTHER GROUPS (89)	600.95	+0.4	9.82	4.35	12.95	598.45	595.57	589.17	581.40	420.28
42	Chemicals (17)	729.58	+0.4	12.95	4.47	10.34	726.39	717.89	701.23	684.95	627.01
44	Office Equipment (4)	145.87	−0.1	7.85	5.30	14.47	145.97	145.54	144.72	144.59	110.70
45	Shipping and Transport (13)	957.89	+1.4	9.03	5.09	14.15	944.77	937.96	930.37	927.39	796.90
46	Miscellaneous (53)	781.97	+0.7	8.11	3.53	15.02	776.27	768.86	764.59	759.00	532.62
48	Telephone Networks (2)	689.81	+0.1	9.70	4.67	13.45	689.89	690.69	684.20	676.34	0.0
49	INDUSTRIAL GROUP (483)	605.06	+0.6	9.58	3.94	12.88	601.70	600.27	594.98	588.59	460.75
51	Oils (17)	1052.54	−0.6	16.57	7.14	7.46	1058.45	1056.89	1061.49	1077.83	922.17
59	500 SHARE INDEX (500)	642.71	+0.4	10.51	4.36	11.76	640.08	638.65	634.14	629.57	499.30
61	FINANCIAL GROUP (118)	432.11	+0.6	—	5.10	—	429.44	427.21	425.10	422.13	371.61
62	Banks (6)	429.54	+0.3	19.84	6.57	6.38	428.06	422.54	420.71	418.17	381.01
63	Discount Houses (6)	460.54	—	—	6.64	—	460.62	461.92	465.76	464.10	361.41
65	Insurance (Life) (9)	588.34	+0.9	—	4.61	—	582.98	583.38	579.75	567.70	505.60
66	Insurance (Composite) (7)	310.91	+0.4	—	6.01	—	309.75	308.56	307.63	306.50	254.35
67	Insurance (Brokers) (6)	1000.75	+2.3	7.69	3.46	18.02	978.23	970.57	967.81	954.08	642.23
68	Merchant Banks (12)	216.45	−0.7	—	4.82	—	217.88	218.89	219.50	217.58	239.25
69	Property (53)	648.74	+0.6	5.25	3.45	25.38	644.66	642.80	636.95	636.18	531.70
70	Other Finance (19)	265.49	+1.1	11.19	5.72	10.87	262.54	260.23	259.17	258.94	265.68
71	Investment Trusts (105)	569.21	+0.9	—	3.48	—	563.95	565.07	558.53	557.27	477.24
81	Mining Finance (4)	271.94	+1.0	10.99	5.59	11.54	269.13	271.71	273.39	276.38	279.92
91	Overseas Traders (14)	618.47	+0.4	9.48	6.28	12.92	616.22	615.75	613.51	611.60	497.24
99	ALL-SHARE INDEX (741)	586.60	+0.5	—	4.46	—	583.80	582.47	578.55	574.73	468.05
		Index No.	Day's Change	Day's High	Day's Low						
	FT-SE 100 SHARE INDEX	1220.6	+4.4	1223.6	1219.1	—	1216.2	1212.5	1204.8	1196.7	

FIXED INTEREST

	PRICE INDICES	Wed Dec 19	Day's change %	Tues Dec 18	xd adj. today	xd adj. 1984 to date
	British Government					
1	5 years	118.07	−0.07	118.15	—	11.20
2	5-15 years	129.07	−0.41	129.93	0.32	14.41
3	Over 15 years	135.87	−0.46	137.51	1.01	15.58
4	Irredeemables	149.77	−0.33	150.27	—	13.57
5	All stocks	128.05	−0.30	128.73	0.30	13.53
6	Debentures & Loans	109.72	−0.22	109.97	—	11.09
7	Preference	77.77	−0.07	77.83	—	6.59
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	110.02	−0.14	110.24	0.06	2.69

	AVERAGE GROSS REDEMPTION YIELDS		Wed Dec 19	Tues Dec 18	Year ago (approx.)
	British Government				
1	Low	5 years	10.52	10.47	9.35
2	Coupons	15 years	10.44	10.39	10.01
3		25 years	9.96	9.91	9.77
4	Medium	5 years	11.20	11.13	10.96
5	Coupons	15 years	10.85	10.78	10.63
6		25 years	10.24	10.18	10.08
7	High	5 years	11.27	11.21	11.10
8	Coupons	15 years	11.00	10.94	0.00
9		25 years	10.33	10.30	10.19
10	Irredeemables†		9.83	9.80	9.75
11	Debs &	5 years	11.66	11.64	11.50
12	Loans	15 years	11.61	11.58	11.60
13		25 years	11.56	11.52	11.63
14	Preference†		12.69	12.68	12.32
15	Inflation rate	5%	3.31	3.30	3.13
16		10%	3.11	3.10	2.95

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$300	—	—	105	24	14	33	$309.90
GOLD C	$325	36	5.50	298	11	—	—	"
GOLD C	$340	—	—	—	—	4	10.10	"
GOLD C	$350	39	2.40	14	4	—	—	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: 30,666.

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
‡‡	F.P.	18/12	110	108	‡‡AberdeenAmPet£1	108	......	—	—	—	—
¶160	F.P.	11/1	200	164	✣Access Satellite 5p.	186	+8	u2.0	2.8	1.5	35.5
§100	F.P.	23/11	119	102	✣Breakmate 10p	116	......	bg2.5	3.0	3.1	15.2
130	50	—	103½	88	British Telecom	101½	......	b6.5	2.0	5.1	13.1
§105	F.P.	7/12	147	115	✣CVD Inc $0.01	147	+2	F$2.0	—	1.1	—
§160	F.P.	—	183	176	Candover Inv.	183	+5	H1.4	—	1.1	—
§115	F.P.	5/12	171	134	✣Craton Lodge 1p	171	+4	bg1.75	2.6	1.5	38.3
‖‖	F.P.	—	92	88	GBC Capital	93	+5	Q2.4	—	1.6	—
‖‖	F.P.	—	24	21	Do. Warrants	24	+2	—	—	—	—
§78	F.P.	14/12	99	86	✣Gabicci 5p	96	......	b2.8	2.5	4.2	15.8
**	F.P.	—	31	23	✣Health Care S'rvic's	26	+1	—	—	—	34.5
§145	F.P.	7/12	242	160	✣INSTEM 10p	235	......	bg1.5	5.4	0.9	29.2
§85	F.P.	7/12	118	95	✣Klark-Teknik 5p	115	......	u0.6	4.7	0.7	40.6
**	F.P.	11/1	32	25	✣Monument Oil 5p	25	−1	—	—	—	—
140	F.P.	21/12	161	149	P.S.M. Int'l.	161	+1	bg5.25	2.6	4.7	11.6
‡‡	F.P.	—	£30¼	£18½	Pall Corp. $0.25	£30¼	+⅛	40c	—	1.1	—
§130	F.P.	—	160	158	✣Penny & Giles Intl	160	......	bg1.82	2.6	1.6	30.6
‡10	F.P.	16/11	11½	10	Second Market Inv.5p	11	......	—	—	—	—
§140	F.P.	10/12	200	184	✣Share Drug 10p	200	......	ud1.7	3.0	1.2	35.9
§110	F.P.	30/11	125	113	✣UDO Hldgs. 10p	124	......	u3.75	2.0	4.3	16.2
132	F.P.	11/1	173	156	Wardle Storeys 10p	168	+1	u5.0	2.7	4.3	10.5
20	F.P.	—	23½	21½	Williams (Rex) Leis.5p	22	......	u0.91	1.4	6.9	15.2

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or −
**	F.P.	21/12	145	105	Aberfoyle 8% Cnv. Uns. Ln. '95	145	+15
91.574	£50	10/4	34¼	29⅞	African Dev. Bank 11⅛% Ln. 2010	32⅝	−⅛
‖	F.P.	11/1	119	115	Automated Sec. 5% Cnv. Cum Red Prf.	117	......
§100	F.P.	—	102½	100	Comm Bk of Wales 15½% SubUns Ln 95-97	102½	+¼
‡101	£51	—	£54	£53	Felixstowe Dock Prf. Units †	£54	......
‡100	£10	24/1	10½	5½	Folkestone Water 11½% Red. Deb. 2004	9¼	......
‡99.094	F.P.	—	99¾	98¼	Gartmore Amer. 11⅝% Deb. 2014	98½	−⅛
‡99.405	F.P.	11/1	101¼	100	Glasgow Stock'hlds 11⅜% Deb. 2009	100¼	+¼
85.81	£30	—	30⅛	29¾	Int.-Am. Dev. Bk. 9¾ Ln. 2015	29¾	......
99.161	£30	17/1	35⅞	28¾	Intl. Bk. for Recon. & Dev. 11⅝% Ln. 2005	33⅝	+⅛
‖	F.P.	—	140p	130p	Johnson Matthey 8% Cnv. Cum. Prf.	140p	......
§99.199	£25	15/3	29⅞	24½	Lon. Shop Prop. 11⅝% 1st Mort. Deb. 2018	29⅛	−⅛
‡98.013	F.P.	—	99	97¾	Lowland Inv. 11¼% Deb. 2010	97¾	−¼
‖	Nil	—	15pm	5pm	McCarthy & Stone 7% Cv. Ln. 99-04	13pm	−1
—	F.P.	—	100½	100⅛	Nationwide Bldg. Soc. 10⅜% Bds.11/11/85	100⅛	−⅛
—	F.P.	—	100⅛	100	Do. 10¼% Bds. 9/12/85	100	−⅛
‖	F.P.	11/1	121	101½	Normans Grp. 8¾% Cnv. Uns. Ln. 98-2004	116	−1
**	F.P.	—	66	53	Peel 10% Cum. Pref. 50p	65½	......
**	F.P.	26/4	129	115	Racal Elect 7% Cnv. Uns. Ln. 2009/14	120½	−½
100	£10	24/1	10¼	9½	Sun'ld & Sth. Shields 11½% Deb. 2005	9¼	......
91.976	£20	27/3	24⅞	18½	Sweden 11% Ln. 2012	23⅜	+⅛

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −
5	F.P.	14/12	6	5½	Amalgamated Estates 5p	5½	......
80	F.P.	16/1	84	80	Attwoods	80	......
175	Nil	—	40pm	40pm	Birmingham Mint	40pm	......
86	Nil	—	17pm	14pm	Carr's Milling	14pm	−3
143	F.P.	30/1	172	165	Equipu	165	−7
30	F.P.	11/1	34½pm	31pm	Jacks (Wm)	31	......
‖	F.P.	18/1	32	30	Lifecare Intl. Units †	31	......
185	Nil	18/1	37pm	33pm	Marshalls Halifax	33pm	......
24	Nil	—	1½pm	1½pm	✣Morris (W.) Fine Arts 20p.	1½pm	......
115	Nil	—	30pm	28pm	Notts. Brick	30pm	+5
32	Nil	—	3pm	1pm	✣Steaua Romana RV	1pm	−1
5	Nil	30/1	3¼pm	1¾pm	Tranwood 5p	2¼pm	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ■ Allotment letters or fully-paid. ‖‖ Introduction. ✣ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share.

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (258)

BRITISH FUNDS (7)
AMERICANS (35)
CANADIANS (8)
BANKS (6)
BREWERS (7)
BUILDINGS (4)
CHEMICALS (10)
STORES (14)
ELECTRICALS (9)
ENGINEERING (9)
FOODS (10)
HOTELS (3)
INDUSTRIALS (36)
INSURANCE (16)
MOTORS (1)
NEWSPAPERS (5)
PAPER (8)
PROPERTY (6)
SHIPPING (1)
TEXTILES (3)
TOBACCOS (1)
TRUSTS (64)
OVERSEAS TRADERS (1)

NEW LOWS (15)

BRITISH FUNDS (1)
Exchqr. 9¼pc 1998 A (£50 paid)
CANADIANS (1)
Davenport's Brewery
ELECTRICALS (1)
Real Time Control
ENGINEERING (1)
Westland
INDUSTRIALS (1)
Bardsey
LEISURE (1)
Entertainment Prodn.
NEWSPAPERS (1)
Portsmouth Sndrland.
SHOES (1)
Headlam Sims
SOUTH AFRICANS (1)
Tongaat-Hulett
OILS (4)
Cluff Oil, Global Nat. Res., Clyde Petroleum, Ultramar
MINES (1)
Curtis Pacific

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 17	Jan 4	Mar 21	Apr 1
Jan 7	Jan 18	Apr 11	Apr 22
Jan 21	Feb 1	Apr 25	May 7

For rate indications see end of Share Information Service

Stocks favoured for the call included Britannia Arrow, Acorn Computer, C. H. Bailey, Hill and Smith, Oliver Prospecting, John Brown, BSR, Eglinton Oil and Gas, Polly Peck, North Kalgurli, Wordplex, Combined Technologies, British Telecom, Tootal, Midland Bank, Hanson Trust, Abaco, Poseidon, International Signal and Control and Falcon Resources. No puts or doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	86	14
Corpns. Dom. and Industrials	378	168	884
Financial and Prop.	235	39	289
Oils	25	35	67
Plantations	2	21	13
Mines	84	18	75
Others	131	24	43
Totals	858	390	1,419

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BAT Inds	353	+8
Bowater Inds	213	+20
British Telecom	101½	—
Burmah Oil	223	−7
Crystalate	245	−30
Davy Corporation	84	+6
Grand Metropolitan	330	+10
ICI	744	+4
Reed International	544	+4
Rowntree Mackintosh	385	+7
Simon Engineering	226	+12
Westland	125	−11

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Tues. close	Day's change
BAT Inds	18	345	+5
ICI	16	740	+10
Brnoil	14	203	−2
Metal Box	14	400	+16
GUS A	13	697	+14
Hawker Sidd.	13	421	+2
RHM	13	125	+7
Extel	12	290	+30
Redfearn Glass	12	68	+14
App'd Comptr	11	280	−5
Beecham	11	373	−2
Brit Telecom	11	101½	−½
Burmah Oil	11	230	−3
Glaxo	11	£10⅞	—

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
B.P. (*488)	390	100	105	—	2	3	—
	420	70	77	—	3	6	—
	460	35	47	53	6	14	23
	500	12	24	32	26	33	40
	550	3	12	—	67	72	—
Cons. Gold (*479)	460	38	45	57	8	17	25
	500	12	28	37	30	45	54
[illegible]							

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
Imperial Gp. (*179)	140	41	44	—	2	3	—
	160	23	27	29	2½	5	8
	180	8	11	15	8	12	15
LASMO (*328)	280	52	—	—	5	—	—
	300	35	46	—	7	18	—
	330	23	35	40	18	28	33
	360	8	22	27	43	48	53
[illegible]							

Dec. 19. Total contracts 8,697. Calls 7,234. Puts 1,463.
* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
105⅝	100⅞	Treas. 15pc 1985	100⅞	−1/32	14.88	[illegible]
102¼	100	Exch. 12pc Cnv. '85	100½	−⅛	11.94	[illegible]
97⅛	93	Treas 3pc 1985	97⅛	+	3.08	[illegible]
102⅝	99½	Treas 11½pc 1985	101	....	11.38	[illegible]
99⅝	96	Treas 8¼pc Cnv '85	99	...	8.82	[illegible]
104	99⅞	Exch. 12¼pc 1985	101		12.02	[illegible]
103	99	Exch. 11½pc '86	101½	−	11.58	[illegible]
102	96	Treas. 10pc Cnv 1986	99	−	10.04	[illegible]
93	88¼	Treas 3pc 1986	93	+	3.22	[illegible]
102	96¼	Exch. 10½pc Cv '86	100	−	10.48	[illegible]
104	99	Treas 12pc 1986	101	−⅛	11.77	[illegible]
98¼	93½	Treas 8½pc 1984-86‡‡	97½	+	8.73	[illegible]
108	102	Exch. 14pc 1986	105½	...	13.27	[illegible]
89⅝	85	Exch. 2½pc 1986	88	..	2.81	[illegible]
107	100	Exch. 13¼pc 1987	104⅝		12.66	[illegible]
100⅝	94½	Treas 10¼pc Cv '87	98	−	10.37	[illegible]
87⅛	83⅛	Exch 2½pc 1987	87	−	2.87	[illegible]
101	94½	Exch 10½pc 1987	99¼	−	10.58	[illegible]
92⅛	87	Funding 6½pc '85-87‡‡	91	−	7.08	[illegible]
99⅝	92⅞	Treas. 10pc 1987	98¼	−	10.17	[illegible]
86⅝	81	Treas 3pc 1987	85⅞	−	3.49	[illegible]
105	97⅛	Treas. 12pc 1987	102⅝	−⅛	11.69	[illegible]
94⅞	87	Treas 7¾pc 1985-88‡‡	92	+⅛	8.34	[illegible]
100¼	92	Exch 10½pc '88	98	−⅛	10.63	[illegible]
98	89	Treas 9¾pc Cv '88	96	−	10.08	[illegible]
82⅛	77	Transport 3pc '78-88	81¼	..	3.67	[illegible]
96	88	Treas. 9½pc '88	95½	−⅛	9.99	[illegible]

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP AND LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1984 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
30	20	Martin-Black	22		—	—	—	—
£108	£87	Mathesons 7¾%	£89		Q7¾%	2.3	†9.1	—
404	287	Metal Box £1	396	–4	†15.0	3.2	5.4	6.4
220	129	Metal Closures	154		6.3	2.3	5.8	(8.5)
27	12	Metal Sciences 2½p	13		—	—	—	—
19	8	Metamec Jentique	8½		0.01	—	—	—
133	83	Midland Marts	90		4.0	1.8	6.3	11.4
70	45	Mitchell Cotts	69		4.0	1.5	8.3	9.8
29	13	Molen Grp 1p	15		‡‡0.5	2.5	4.8	(9.5)
186	132	Morgan Crucible	186	+1	†7.5	1.2	5.8	(18.8)
*36	26	Morris (W) F.A. 20p	26		bg0.5	4.0	1.4	23.8
110	80	Moss (Robt.) 10p	100		‡†2.5	2.3	3.6	14.5
390	197	MMW Computers	288	+6	6.0	3.0	3.0	16.1
65	40	Nash Inds.	48	+3	4.0	2.2	13.3	5.0
47	30	Neill & Spencer 10p	39		—	—	—	16.8
33	13	Newman Industries	21	+1	—	—	—	(11.0)
31	16½	Do. 10pc Cn.Cm.Pf.	20½		10%	—	7.0	—
67	39	Norton	46		g1.1	4.5	3.4	7.7
183	132	Norcros	149		†7.5	2.4	6.4	8.8
86	55	Nu-Swift 5p	62	+2	†2.4	3.2	5.5	8.1
100	50	Oakwood Grp.	78		‡‡6.5	—	‡	—
190	135	Office & Elect.	155		5.24	4.2	4.8	7.1
107	92	Osborne 20p	107		u4.0	2.6	5.3	9.5
875	650	Oriflame Intl SA	690		†Q53c	2.2	6.8	6.7
46	18	Overstone 12½c	18		‡Q4.5c	2.2	‡	4.1
£159	£120	Ozalid 9pc Cnv 87-92	£159	+3½	Q9%	—	(5.7)	—
190	115	PCT Grp 10p	115		g4.8	2.9	5.8	7.0
£12½	975	PLM 'B' Sk 25	£12		Q20%	3.2	4.2	7.4
62	40	Pacific Sales 10p	58	+1	b2.4	2.2	5.9	(10.8)
207	148	Parker Knoll 'A'	166		9.0	2.8	7.7	6.5
265	197	Pauls	213		8.5	2.5	5.7	9.4
590	403	Pearson	578	+6	†14.0	3.0	3.5	11.5
35	18	Peek Holdings	27		—	—	—	—
107	89	Peerless	92		6.3	1.4	9.8	9.3
265	55	Pentland 10p	265	+5	†‡1.79	4.1	0.9	28.2
32	17	Pentos 10p	32	+1½	8	—	—	56.7
63	27	Phillips Patents	54	–2	1.25	—	3.3	—
£105	545	Photo-Me 50p	£10½		9.45	6.6	1.3	14.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]

LEISURE

1984 High	Low	Stock	Price
46	9	Atlantic Int 20c	[illegible]
31½	14½	Owners Abroad	[illegible]
66	33	Photax (Lon.)	[illegible]
29½	20	P'dilly Radio N/V	[illegible]
130	57	Pleasurama Dec St	[illegible]
420	285	Pleasurama 5p	[illegible]
17½	10½	Pres Entertain	[illegible]
158	62	Radio City 'A' N/V	[illegible]
70	50	Radio Clyde N/V	[illegible]
148	30	Riley Leisure 10p	[illegible]
142	94	Saga Hols. 20p	[illegible]
580	145	Samuelson Grp	[illegible]
27½	18	Sangers Photo 10p	[illegible]
150	138	Scantro 50p	[illegible]
190	98	Scott. TV 'A' 10p	[illegible]
413	186	SeaCo Inc $0.125	[illegible]
35	10	SelecTV 10p	[illegible]
145	122	Spectrum 5p	[illegible]
37	24	TSW 5p	[illegible]
157	79	TVS N/Vtg 10p	[illegible]
*142½	102½	Television Svcs	[illegible]
90	60	Tottenham Hotspur	[illegible]
176	120	Trid'nt TV 'A' 10p	[illegible]
173	100	21st Century Dist	[illegible]
197	135	Tyne Tees TV 'A'	[illegible]
101	53½	Ulster TV N/V 'A'	[illegible]
28	17	Webb (Jos.) 5p	[illegible]
98	88	Zetters 5p	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

1984 High	Low	Stock	Price
76	33	BL 50p	[illegible]
325	227	Gen. Mts. Units	[illegible]
468	294	Honda Motor Y50	[illegible]
228	170	Jaguar	[illegible]
85	54	Lotus Car 10p	[illegible]
47	20	Reliant Motor 10p	[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

OPTIONS — 3-month call rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 25

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

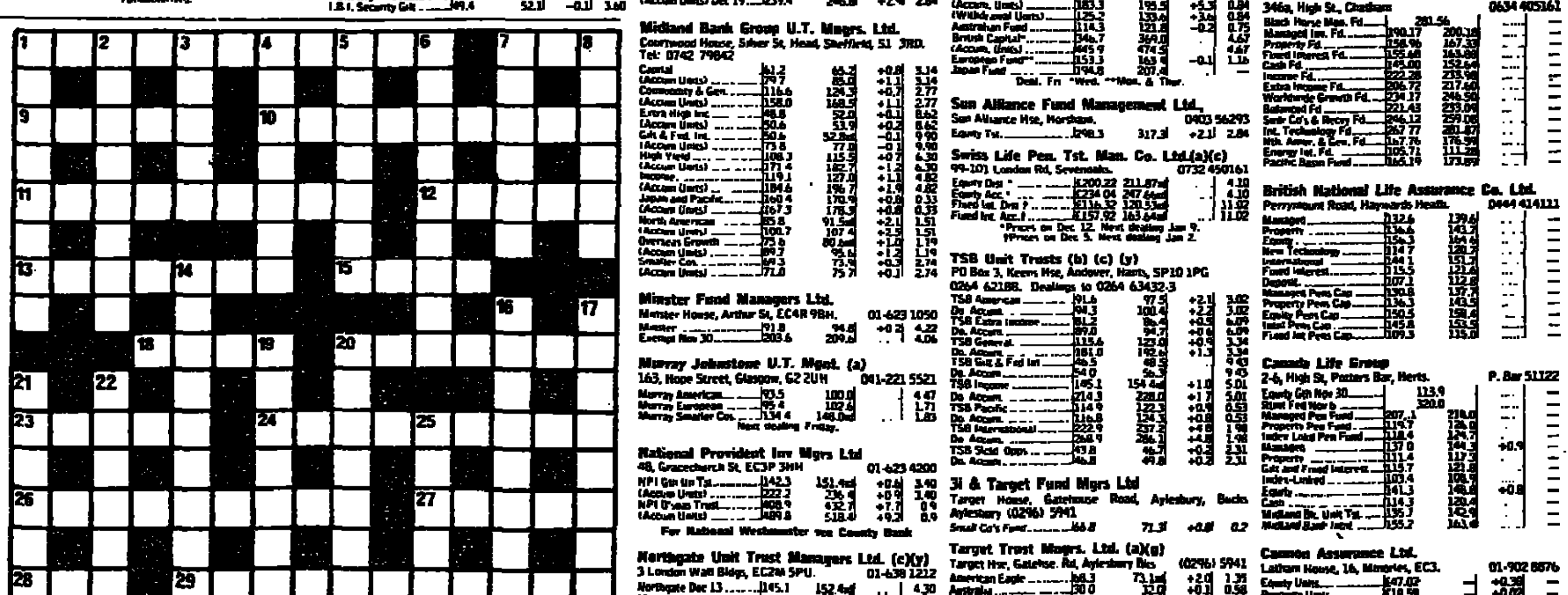
AUTHORISED UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

F.T. CROSSWORD PUZZLE NO. 5,600



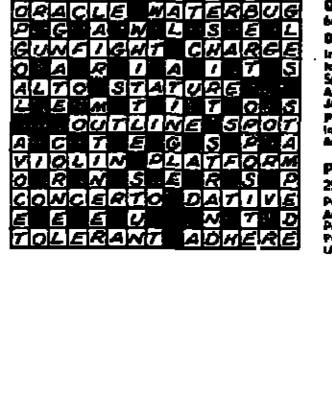
ACROSS

1 Man gets in a little bit (fish) in London (11)
7 and 2 down Frying tonight? (3, 2, 6)
9 Old cricketer singularly restrained? (5)
10 Spider —— natural at spinning (9)
11 See 22 down
12 Criticise cook (5)
13 Beginning of the cause for treachery (7)
15 Rend driver's heart (4)
18 Find flaw in fish (4)
20 Flier is displaying introduction of cheer (7)
23 Conscious artist steps back in wonder (9)
24 Permissible variation—alter once perhaps (9)
26 Reflective hue makes politician sad (5-4)
27 Carefully examine church plant (5)
28 Head of teaching union (3)
29 London area almost opposite 1 across? (11)

DOWN

1 Complete failures, cut up, about to buy round (4-4)
2 See 7 across.
3 For ever that's gloomy (5)
4 Marry in Hertfordshire town (7)
5 It's rap —— rent changed, mate (7)
6 Vehicle for learner and old scout (4-5)
7 A company rug made up from this animal? (6)
8 Scarcity? Wide Arthur always gets round it (6)
14 Surprisingly able cults benefit society (5-4)
16 Consumed in fine porcelain? (5, 3)
17 Mike could receive these deliveries (8)
19 I'm at front of particular joint (7)
20 For several days everyone's feeble, we hear (3, 4)
21 No mass has difficulty for him (6)
22 and 11 across. Endure courageously as a boxer sometimes has to (4, 2, 2, 3, 4)
25 Flower for 15 with first under (5)

Solution to Puzzle No. 5,599



هكذا من الأصل

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg.
Inv. Adv.: M&G Inv. Mngt. Ltd., London.

WwdGthFd	$11.31	—	+0.10	—

Wren Commodity Management Ltd
10, St George's St, Douglas, IoM. 0624 25015

Wren Com Fd	12.7	13.2	....	3.10
Chinese Fd	58.8	61.2	....	1.70
PrecMetFd	80.3	83.6	....	8.30
VangCmdyFd	22.8	23.4	....	—
FinFuturesFd	32.4	33.8	....	—

Yamaichi Dynamic Mngt Co SA
10a Boulevard Royal, Luxembourg.

Dynamic Grw Fd	59.28	+0.15	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	8.89	9.10	6mth	Call
71day Fund	9.46	9.69	6mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St EC4N 6AE. 01-236 1425				
Call Fund	8.69	8.87	6mth	Call
7-day Fund	8.97	9.17	3mth	Call
MnyMgAc	8.375	8.64	6mth	Call
Dollar	6.19	6.28	6mth	2-day

Money Market Bank Accounts

	Nom	Apr	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
TreasuryAcc	9.375	9.71	Qtr	Call
Mth Int Chq	9.25	9.65	Mth	Call
Bank of Scotland				
38 Threadneedle St. EC2 2EH. 01-628 8060				
Cheque Acc	9.25	9.65	Mth	Call
Barclays Prime Account				
PO Box 125, Northampton. 0604 252891				
High Int Chq	9.25	9.57	Qtr	Call
Britannia Grp of Investment Companies				
29 Finsbury Circ, EC2M 5QL. 01-555 2777				
Cater Allen	9.00	9.38	Mth	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	9.00	9.381	Mth	Call
U.S. Dollar	7.50	7.763	Mth	Call
German Marks	5.0	5.116	Mth	Call
Swiss Francs	2.0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mth	Call
Choulartons				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW. 061-928 9011				
Cheque Acc	9.75	10.20	Mth	Call
Co-operative Bank				
78-80 Cornhill EC3. 01-626 6543 Ext 464				
Under £1,000	8.00	8.24	Qtr	Call
Over £1,000	10.00	10.38	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon. TQ9 6JE. 0803 862271				
MnyMktAcc	9.50	89.84	Qtr	Call
Henderson/Bank of Scotland				
38 Threadneedle St. EC2P. 01-628 8060				
MyMtChqAc	9.25	9.65	Mth	Call
Lombard North Central plc				
17 Bruton St. W1A 3DH. 01-409 3434				
Notice Dep	9.75	10.12	Rate	14-day
M & G Kleinwort Benson				
91-99 New London Rd. Chelmsford 0245 51[illegible]				
HighIntChqAc	9.30	9.74	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	9.30	9.62	Qtr	Call
Save & Prosper/Robert Fleming				
28 Western Rd. Romford. RM1 3LB. 0708 66966				
HighIntMkAc	9.00	9.41	Daily	Call
Premier Acc	9.00	9.41	Daily	Call
Tyndall & Co				
29-33 Princess Victoria St, Bristol BS8 4BX 0272 732241				
Demand Acc	9.11	9.45	Qtr	Call
Money Acc	9.375	9.71	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth. 0705 827733				
Special Acc	8.90	9.27	Mth	Call
Over £10,000	9.15	9.54	Mth	Call

NOTES—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered prices includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. § Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

EEC proposes fish quota cuts

BY IVO DAWNAY IN BRUSSELS

NEGOTIATIONS between EEC fisheries ministers on the national quotas to be allocated for eight joint fish stocks in Community waters opened yesterday.

Since the ministers agreed to "keys" fixing the allocations to each member state almost two years ago, there is little room for substantive disputes over national shares.

The main point at issue is the level of the Total Allowable Catches (TACs) attributed to *the Ten as a whole. These are* drawn up after extensive scientific research

The proposals submitted to *the fisheries council yesterday* show the greatest falls on last year's TACs for cod and mackerel. The Commission is seeking a maximum TAC of just under 470,000 tonnes for cod against 516,000 tonnes last year.

On mackerel, it aims to reduce the catch from 407,500 to about 350,500 tonnes.

Herring fishing, which was banned until this year because of over-fishing, is allowed a maximum of 413,350 tonnes with the largest share of 98,180 tonnes going to the UK.

The usual trade-offs between the fishing countries are expected in the current talks, but no major row is expected within the Community. The main areas of contention facing the Community's Common Fisheries Policy (CFP) centre on agreements with third countries.

Negotiations between the EEC and Norway over the Norwegian share of joint herring stocks remains unresolved despite further talks in Oslo last week. Norway is seeking about 30 per cent or more than 100,000 tonnes in 1985 but the Community insists that no more than 80,000 tonnes is justified.

Earlier this year, it was feared that joint agreements with Norway on all fishing stocks could be in jeopardy when the EEC unilaterally declared TACs for its own waters excluding Norwegian herring fishermen. Oslo responded by intensive fishing in its own waters and banning Community fleets.

It is hoped that this dispute can be resolved, however, before herring fishing resumes in earnest next summer.

The second area of contention lies with Greenland which is in the process of withdrawing from the Community. The Greenlanders oppose as too high a TAC of 62,500—12,500 tonnes o fwhich would be for the—EECfor its West coast cod. Instead, it says this should be reduced to 30,000 tonnes exclusively for Greenland due to the decline in stocks.

The Community argues that any lowering of the TAC must include some fish for eGrman fleets which have traditionally fished West Greenland waters.

The greatest problems facing the CFP next year are in monitoring and policing the agreement. The Commission has launched legal actions *against all member states for* overfishing and efforts are also being made to improve reporting of catches. ... ...

... There is also widespread concern about the terms that will eventually be agreed with Spain over its access to EEC waters when it joins the Community.

COMMISSION PROPOSALS FOR 1985 CATCH QUOTAS

	West Germany	France	Netherlands	UK	Denmark	Ireland
Cod	87,840 (83,380)	39,540 (36,390)	25,950 (23,230)	129,550 (117,910)	166,420 (234,350)	11,520 (11,520)
Haddock	7,530 (7,110)	20,270 (19,340)	1,270 (1,120)	151,540 (140,840)	11,690 (18,615)	3,820 (4,370)
Coley	25,260 (21,110)	95,020 (69,850)	210 (190)	27,400 (20,860)	8,390 (7,550)	3,730 (3,060)
Whiting	4,300 (3,900)	41,400 (37,510)	9,290 (8,630)	92,890 (79,480)	15,879 (34,190)	22,700 (17,800)
Plaice	10,780 (9,860)	7,500 (7,250)	71,810 (66,890)	59,570 (53,710)	42,100 (46,110)	3,730 (3,070)
Redfish	62,535 (62,820)	2,410 (2,410)	— —	375 380	— 4,890	— —
Mackerel	22,190 (25,600)	14,930 (17,100)	32,180 (37,300)	200,160 (223,700)	8,000 (7,400)	72,640 (85,300)
Herring	65,760	35,430	82,900	98,180	90,260	31,900

1984 figures in brackets. All figures in tonnes.

Production of beef and veal 'to rise 6 per cent'

EEC beef and veal production is estimated to have risen 6 per cent this year to 7.32m tonnes and will probably be about the same in 1985, according to Britain's Meat and Livestock Commission.

The forecast, published in the MLC's latest international market review is an upward revision. The commisseion attributes higher production mainly to increased cow and heifer slaughterings as a result of EEC milk production quotas.

Culling of cows has exacerbated existing upward trend in beef production. Concern about over-supply earlier this year prompted the European Commission to introduce a special programme of intervention buying.

That scheme has been terminated. But the MLC estimates that intervention stocks will total 675,000 tonnes by the end of this year. It says exports are likely to reach 780,000 tonnes in 1984, and between 800,000 and 850,000 tonnes in 1985.

● Soviet meat output for the first 11 months of the year rose 5 per cent from the same 1983 period and looks set for a record, official figures show. The Central Statistics Board data, published in the weekly Ekonomicheskaya Gazeta, show overall meat production reached 16.2m tonnes by November, against 15.5m by the same time last year.

● RECORD *supplies of fruit* and vegetables are available for Christmas with many prices lower in real terms than 20 years ago, the Fresh Fruit and Vegetable Information Bureau said yesterday.

● CHINA has already harvested more than 400m tonnes of grain this year and 5.5m tonnes of cotton, both records, the State Statistical Bureau said.

The country produced 387.28m tonnes of grain and 4.64m tonnes of cotton last year.

● THE Send a Tonne to Africa appeal, set up by British farmers six months ago, has reached its target of £1m—10,000 tonnes of grain—with donations still com ing in to help the starting of Ethiopia.

Bauxite cartel fears fade away

Canute James reports from Kingston on the vital function fulfilled by an ore-producing group

THE International Bauxite Association, as it marks its first decade, has settled into a mould far from that which consumers feared.

Mr Henry Bovell, the association's secretary general, said: "The timing of the formation of the association, coming right after the Opec price increases, caused many to think of us as a cartel. We have proved that we are not a cartel. All this was a strategy against the IBA.

"Contrary to the views of many detractors, the association has never attempted cartelisation of the bauxite/alumina stages of the industry."

The eleven members — Australia, Dominican Republic, Ghana, Guinea, Guyana, India, Indonesia, Jamaica, Sierra Leone, Surinam and Yugoslavia —have within their collective borders about 75 per cent of the world's known bauxite reserves.

They account for about 70 per cent world output of the ore, but only about 15 per cent of aluminium output.

The organisation has settled into a role which Mr Bovell considers a vital function for its members. He said the reason for its creation was to fill an information gap.

"Many of our members did not know about the industry and with the market in the state it is now in, this data base is important. It involves the transfer of information on bauxite, alumina and aluminium to our members. Not many members own the industries, except for Guyana, Yugoslavia and, to some extent, Guinea."

It is on the basis of this information bank that the association has been able to make annual recommendations to its members on minimum prices for bauxite and alumina sold to consuming companies and countries.

At a recent meeting of its ministerial council, the association, which has its headquarters in Jamaica, recommended to its members that the minimum price for metallurgical basegrade bauxite for next year should be US$35 a tonne, cif. It also recomended a minimum price for metallurgical grade alumina for next year of $25 per tonne, cif.

It is the first time the association has recommended minimum prices for bauxite and alumina in quantitative dollar terms.

Previously, recommended prices were indexed to the average U.S. realised market price for aluminium ingot.

In a statement released after the meeting the IBA said it still supported the principle of indexation, but decided, subject to review next year, to recommend dollar prices "in view of the discontinuation of the published producers' list prices for primary aluminium ingot."

Over the past four years the association has begun making efforts to stimulate a dialogue on the industry with consumers.

This included an effort at a commodity agreement with consuming countries, under the auspices of Unctad. The IBA's involvement represented not only the interests of its members, but also of non-members, Mr Bovell said.

"The discussions di take place in Geneva, but some consuming countries, especially the United States, argued that the matter was not one for governments, but for consuming companies."

Industry sources say the IBA's position in discussions such as these could be strengthened with the addition to its membership of emerging bauxite heavyweights such as Brazil.

A year ago Mr Ron Thomas, the former IBA secretary general, said: "We would like Brazil to become a member." The country had expressed an interest, but has not filed an application for membership.

"Brazil is interested and would like to have the status of observer within the IBA," said Mr Bovell, "but the rules of the association do not allow for observer status."

The most recent member is India, which replaced Haiti, a founding member. Haiti withdrew from the association after Reynolds Metals ended mining in the country, saying commercially exploitable ores had run out.

The industry is also at a standstill across the border in the Dominican Republic, where the Aluminum Company of America returned its mining concession to the government earlier this year. The country has not, however, withdraw from the IBA. Industry sources say this is because of latent hopes that other operators can be found to revive the bauxite mining industry.

The association has marked its first decade at a time other members are feeling the adverse economic effects of weak demand over the past three years. Jamaica, for example, has been mining fall from 12m tonnes in 1980 to 7.7m tonnes last year.

The loss in income has delivered a body blow to the island's economy. Producers like Jamaica, which have to import energyr for refining, are also threatened by the desire of companies to locate or expand in areas where ore exists together with relatively cheap energy, such as Brazil and Australia.

"We will continue to see this link between raw material and energy affecting the development of the industry," said the secretary-general. "There is good reason to commend the approach of Jamaica in attempting to change from oil-fired to coal-fired processing."

Jamaica and Colombia recently agreed on the construction of a smelter to be located in Colombia, using Jamaican alumina and locally produced coal.

Claiming that he did not want to appear "ultra optimistic," Mr Bovell forecast a 3.5 per cent growth rate for the industry. "There is some growth now, but the companies have improved the management of their inventories."

The IBA will undertake a study next year into the possible increase of consumption of aluminium by its members, as one means of expanding demand for bauxite and alumina. "Unlike many who believe that the industry has reached maturity and may be declining, we do not believe so," Mr Bovell said.

● Guyana bauxite exports between January and October reached 1.15m tonnes, more than the total for 1983. Exports last year were 1.12m tonnes.

Tea 'still Britain's favourite drink'

BY RICHARD MOONEY

TEA IS still Britain's favourite drink and consumption is as high as ever, in spite of sharply rising prices this year, according to the Tea Council.

The council's 1983-84 annual report, published yesterday, says British tea consumption remained relatively stable at 168,000 tonnes over the past 12 months, equivalent to four cups a person a day.

This was more than twice the level of coffee consumption and four times soft drinks consumption, the report claims.

Strong world demand has doubled auction prices over the past year, leading to a 50 per cent rise in British retail prices *to around 56p per 125 gram* packet, yet tea remains the best value for money drink at only 2p a cup — including milk and sugar — the council says.

The main demand growth area in the past year continued to be tea bags with a 2 per cent *rise in sales, increasing market* share to 67.3 per cent. Sales of speciality teas also increased by 2 per cent to about £50m.

● *The average price of all tea* sold at Monday's London auction fell to 272.01p a kilogram from 276.16p a week earlier, the *Tea Brokers Association of* London said yesterday.

The fall was partly due to lower prices paid for North *Indian teas*

Crude oil stocks increase in U.S.

BY JOHN EDWARDS, COMMODITIES EDITOR

U.S. CRUDE OIL stocks jumped last week by almost 9m barrels to 346.4m barrels, according to the latest estimates issued by the American Petroleum Institute.

The rise follows several weeks of falling stocks. A year ago the stocks stood at 351.3m barrels.

Distillate stocks, however, were reported to have declined by 4.1m to 153.6m barrels, some 9m barrels below the equivalent level last year. Stocks of residual fuel oil also remained below last year's level, although increasing by 2.6m barrels to 51.5m over the week.

In London, a trader on the *gas oil futures market described* the API figures as a "bit of a joke." He said they had little impact on prices since they appeared to make little sense.

Gas oil values eased slightly in thin trading, but the market was mainly preoccupied with *waiting to see what emerges* from the present Opec meeting in Geneva.

There was equal nervousness, and reluctance to trade, until the results of the Opec talks are known, on the Rotterdam spot oil market. North Sea oil prices softened slightly, since traders are sceptical that any realistic arrangement to boost prices will be approved by Opec members.

LONDON MARKETS

BASE METALS markets were quiet although some London Metal Exchange values moved a little higher reflecting sterling's continued weakness against the dollar.

This was the main reason for the £7.75 rise in cash high grade copper to £1,133.50 a tonne and cash nickel's £17.50 advance to £4,182.50 a tonne. Lead and zinc values were easier in slack trading.

The fall in sterling was enough to push the March coffee futures price £24 higher to £2,236 a tonne

On the sugar market early gains were wiped out in the afternoon in response to an easier New York opening. News of a relatively cheap purchase on the world market by Syria *was also thought to* have contributed to the fall.

MAIN PRICE CHANGES

in tonnes unless otherwise stated

	Dec. 19 1984	+ or —	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt	$1150/1180		$1180/1210
Copper			
Cash h Grade	£1133.5	+7.75	£1088.5
3 mths	£1146.75	+6.5	£1109.75
Gold troy oz	$309.75	+0.5	$340.75
Lead Cash	£341	—6.5	£364.25
3 mths	£326	—5.25	£364.75
Nickel	£5967		£5967
Free Mkt	222/252c	+1	213/255c
Palladium oz	$129.50	—1.3	$146.25
Platinum oz	$295.50	+0.5	$324.25
Quick Silver†	$300/310		$295/305
Silver troy oz	543.65p	+9.15	609.85p
3 mths	556.00p	+9.10	623.90p
Tin cash	£9917.5	+11	£9717.5
3 mths	£9887.5	+15	£9717.5
Tungsten	$83.51	—2.98	$83.34
Wolfram 22 04lb	$74/76		$77/79
Zinc	£677	—5.5	£637
3 mths	£676.5	—6.25	£641.25
Producers	$900		$900

	Dec. 19 1984	+ or —	Month ago
OILS			
Coconut (Phil)	$945x	+15	$967.5
Palm Malayan	$600v	+15	$605
Seeds			
Copra Phil	$560y	+10	$565
Soyabean (U.S.)	$248.9	+1.2	$255
GRAINS			
Barley Fut. Mar	£112.40	+0.40	£109.30
Maize	£156.50x		£145.00
Wheat Fut.Mar	£113.35	+0.10	£110.85
No2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1838.5	+5	£1871
Coffee Ft. Mar.	£2236	+24	£2357
Cotton A index	72.25c	+0.25	‡
Gas Oil Jan.	$225	—2.25	$233.25
Rubber (kilo)	61p	—0.5	60p
Sugar (raw)	$104xv	+2	$111.5
Wooltp's 64s	487p kilo		470p

‡ Unquoted. v Jan. z Feb. y Jan-Feb. x Dec-Jan. † Per 75-lb flask. n Nominal. c Cents per pound.

INDICES

FINANCIAL TIMES

Dec. 18	Dec. 17	M'th ago	Year ago
290.15	288.31	294.76	293.45

(Base: July 1 1952 = 100)

REUTERS

Dec. 19	Dec. 18	M'th ago	Year ago
1899.9	1900.6	1867.0	1976.6

(Base: September 18 1931 = 100)

MOODY'S

Dec. 6	Dec. 5	M'th ago	Year ago
984.2	982.2	967.0	1034.8

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Dec. 6	Dec. 5	Month ago	Year ago
Spot	125.3	124.87	125.84	137.74
Fut	116.44	126.36	128.88	144.8

(Base: December 31 1974 = 100)

OIL

Brent fell even before the U.S. futures *market* opened weaker and was quoted 15c down by thec lose. Nymex by 1 pm EST was trading 22c lower than Tuesday. In the petroleum products market there was little trading acticity *in the absence of any clear direction.* Limited Russian supplies held gas oil prices stable despite heavy falls on the New York futures market. Heavy fuels remained stable — Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arab Light	27.45-27.55	—
Arab Heavy	26.10-26.15	—
Dubai	26.65-26.70	—0.075
Brent Blend	26.80-27.90	—0.15
W.T.I. (1pm est)	26.55-26.65*	—0.225
Forcados (Nigeria)	26.95-27.20	—0.125
Urals (cif NWE)	27.30-27.60	+0.075
PRODUCTS—North West Europe "cif" ($ per tonne)		
Premium gasoline	237-239	—1
Gas Oil	220-222	—
Heavy fuel oil	183-185	—

*All January, except * which is February*

Petroleum Argus Estimates

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Dec.	220.50	+2.80	222.50-20.00
Jan	223.00	—2.25	225.25-22.50
Feb.	223.00	—2.00	225.00-22.50
March	219.75	—1.75	221.50-19.00
April	*218.50*	*—0.50*	*218.50*
May	216.50	—2.50	218.25-16.50
June	217.75	—0.75	217.75-17.50

Turnover: 1,595 (2,031) lots of 100 tonnes.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1121.5-50	+8.5	1133-4	+7.75
3 months	1145-4	+8.5	1146.5-7	+6.5
Settlem't	1150	+8.5	—	—
Cathodes				
Cash	1136-8	+8	1139-41	+8
3 months	1146-9	+7	1152-4	+7.5
Settlem't	1138	+8	—	—

Amalgamated Metal Trading reported that in the morning three months higher grade traded at £1,141, 40.5, 41, cash £1,129.5, three months £1,142, 42.5, 43, 43.5, 44. Standard: Cathodes: Three months £1,148. Kerb: Three months £1,143.5, 44, 44.5, 45, 44.5. Afternoon, Higher Grade: Three months £1,147, 47.5, 48, 47.5, 47. *Kerb: Higher* Grade: Three months £1,146, 45, 44.5, 45, 45.5, 46, 46.5, 46. Cathodes: Untraded. Turnover: 19,325 tonnes. U.S. Producers: 63.00-67.00 cents a pound.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	341.5-2	-8	340.5-1.5	-6.5
3 months	326.5-7	-7	325.5-6.5	-5.25
Settlem't	342	-8	—	—

Lead—Morning: Three months £326, cash £340, 41.5, three months £326.5, 27. Afternoon: Three months £327.5, 27, 26, 25, 25.5. Kerb: Three months £327, 26.5, 26, 25, 25.5. Turnover: 11,900 tonnes. U.S. Spot: 20.00-26.00 *cents a pound.*

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	9948-50	+6.5	9955-60	+20
3 months	9920-30	+22.5	9925-30	+12.5
Settlem't	9950	+15	—	—
Standard				
Cash	9900-1	-7	9915-20	+11
3 months	9884-5	+19	9885-90	+15
Settlem't	9901	-8	—	—
Straits E.	—	—	—	—

Tin—Morning: Standard. Three months £9,885, 80, cash £9,900, three months £9,880. High Grade: Cash £9,945, three months £9,915. Kerb: Three months £9,885. High Grade: Three months £9,925. *Afternoon:* Standard: Cash £9,920, 25, 20, three months £9,885, 90. Kerb. Standard: Three months £9,890. Turnover: 1,205 tonnes.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	610-1	+1.25	676-8	-5.5
3 months	679-.5	+0.75	676-7	-6.25
Settlem't	681	+1.5	—	—

Zinc—High Grade *Official/Unofficial* prices. Cash, am £743-£745, pm £733-£737. Three months, am £720-£725, pm £715-£720. Settlement £745. Morning: Standard: Three months £680, 79. High Grade: Cash £743. Kerb: Standard: Three months £679, 79.5, 80, 79.5. Afternoon: Three months £680, 79, 78.5, 78, 77. Kerb: Three months £677, 76. Turnover: 8,650 tonnes. U.S. Prime *Western: 45.00-45.75 cents a pound.*

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	927.5-8	+1.5	926-.95	+3.5
3 months	949-.5	—	951-.5	+3.75

Aluminium—Morning: Three month £950, 51, 51.5, 51, 50, 51, 52, 51, 50.5, 50, 49, 49.5. Kerb: Three months £949.5, 50, 49.5. Afternoon: Three months £950, 51, 50, 51. Kerb: Three months £951, 50, 49. Turnover: 15,775 tonnes.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. unofficial	+ or —†
Spot	4185-90	+60	4180-5	+17.5
3 months	4190-5	+15	4180-5	+16

Nickel — Morning: Three months £4,200, 05, 10, cash £...4,190, three months £4,200, 4,190, 95. Kerb: Three months £4,190, 95. Afternoon: Three months £4,180, 75, 65, 60, 65, 75, 80. Kerb: Three months £4,180, 85, 83, 85. Turnover: 1,734 tonnes.

GOLD

Gold gained $½ to $309½-310 in rather quieter trading on the London bullion market yesterday. The metal opened firmer at $310½-311, but this proved to be the *high point of the* day, and dealers were rather nervous that yesterday's consolidation was a temporary lull before another fall. Gold was fixed at $308.75 in the morning, and $309.30 in the afternoon, touching a trading low of $308½-309.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
Dec.	—	—	—
Feb.	312.10-12.30	+0.05	313.80-11.50
April	—	—	—

Turnover: 284 (294) lots of 100 troy ounces.

GOLD BULLION (fine ounce) Dec. 19

Close	$309½-310	(£263½-264)
Opening	$310½-311	(£261½-262)
M'n'g fix	$308.75	(£261.166)
Aft'n'n fix	$309.30	(£262.854)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$318¾-319½	(£271½-272¼)
½ Krug.	$164¼-165	(£140-140½)
¼ Krug.	$83¾-84½	(£71¼-72)
1/10 Krug.	$34¼-35	(£29⅛-29¾)
Mapleleaf	$318½-319¼	(£271½-272)
New Sov.	$73¼-73¾	(£62¼-62¾)
½New Sov.	$44¼-45	(£38-38¼)
Old Sov.	$74-75½	(£63-64½)
$20 Eagle	$560-590	(£477¼-502¼)
Noble Plat	$303¾-307¼	(£258½-261½)

SILVER

Silver was fixed 9.15p an ounce higher for spot delivery in the London *bullion market yesterday* at 543.65p. U.S. cent equivalents of the fixing levels were: spot 638.8c, up 6.8c; three-month 651.4c, up 6.3c; six-month 667.5c, up 6.4c; and 12-month 700.6c, up 7.6c. The metal opened at 537-540p (638-641c) and closed at 541-544p (636-639c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	543.65p	+9.15	540c	+2
3 months	556.00p	+9.10	552.5p	+1.5
6 months	570.30p	+9.50	—	......
12months	597.80p	+11.0	—	......

LME—(2,000 oz contract): Cash 540p (538p); three months 552.5p (551p). Turnover: 2 (0).

Turnover: 25 (50) lots of 10,000 oz. Morning: Large first ring three months 552, second ring th ree months 554, small second ring cash 544. Kerb: three months 533.5. Afternoon: large second ring three months 553.0. Kerb: untraded.

COCOA

Although steadier, mostly due to currency movements, the near December position which declined sharply from a premium to a discount, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Dec.	1820-1822	—18.0	1849-1810
March	1837-1840	+5.0	1846-1825
May	1845-1847	+5.0	1854-1835
July	1852-1854	+9.0	1862-1845
Sept.	1858-1859	+10.0	1865-1850
Dec	1818-1819	+5.5	1824-1815
Mar	1790-1824	—5.5	—

Sales: 3,625 (2,282) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for December 19: *95.47 (96.19): five-day average for* December 20: 96.24 (96.69).

COFFEE

Despite opening slightly lower, a decline in sterling ccupled with commission house buying pushed prices higher in moderate volume, reports Drexel Burnham Lambert. Resistance between £2,230-35, basis March, prompted a minor retracement in most contracts in light trade, before dealer buying encouraged a steady close.

COFFEE	Yesterd'ys Close	+ or —	Business Done
January	2230-2232	+9.0	2240-14
March	2235-2237	+24.0	2235-10
May	2218-2222	+18.5	2220-06
July	2220-2225	+30.0	2226-09
Sept.	2220-2225	+23.0	2213-06
Nov.	2220-2225	+15.0	2213-07
Jan	2205-2212	+3.0	2211

Sales: 2,522 (2,101) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for December 18: Comp. daily 1979 133.12 (134.15); 15-day average 134.15 (134.35).

GRAINS

The markets traded in a see-saw fashion with long liquidation against *short-covering in wheat, while barley* was generally steady on shipper and merchant buying, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterd's close	+ or —
Jan.	109.65	—0.05	110.55	+0.55
Mar.	113.35	+0.10	113.40	+0.45
May.	117.00	+0.15	116.60	+0.65
July.	118.90	+0.30	—	—
Sept.	97.95	—0.05	97.75	—
Nov.	101.40	—0.05	100.95	—

Business done—Wheat: Jan 109.85-9.50, March 113.35-3.15, May 117.00-6.80, July and Sept untraded, Nov 101.40 only. Sales: 410 lots of 100 tonnes. Barley: Jan 110.50-10.00, March 113.40-2.95, May 116.25-6.05, Sept and Nov untraded. Sales: 76 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1, 15 per cent: Jan 165.70, Feb 168, March 170.20, transshipment East Coast. U.S. No. 2 Soft Red Winter: Jan 148.25, Feb 147.75, March 147.50. Maize: U.S. No. 3 Yellow/French: Dec/Jan 146.50, transshipment East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: E. Mids. 110.20, N. East 110.20, Scotland 106.70. The UK monetary coefficient for the week beginning Monday December 24 is expected to remain unchanged.

PIGMEAT

Prices fell sharply because of hedge selling despite steadrer physicals, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Feb.	111.60	112.10	112.00-11.60
April.	109.80	110.30	*110.00-09.80*
June	106.90	108.30	108.50-07.00
Aug	104.00	106.50	108.00-04.00
Oct	109.70	112.00	111.00
Nov	109.40	113.20	111.00

Sales: 71 (26) *lots of 50 carcasses* 3,250 kg.

POTATOES

Prices fell heavily in good volume during early business to establish new contract lows. As *support levels were* broken stop-loss activity placed further pressaure on hte market. Afternoon business was quieter, with short-coverings lifting levels slightly towards the close, reports Coley and Harper.

Month	Yesterdy's close	Previous close	Business Done
	£ per tonne		
Feb.	46.50	46.60	46.60-47.00
April	54.80	56.90	55.50-54.00
May.	57.00	58.70	57.00-56.00
Nov	70.50	71.50	72.00-71.50
Feb	82.50	82.50	—

Sales: 724 (698) lots of 40 tonnes.

RUBBER

PHYSICALS — The London market opened little change, attracted no interest throughout the day and closed idle, reports Lewis and Peat. Closing prices (buyers): Spot 61.00p (61.50p): Jan 72.25p (72.00p): Feb 73.25p *(73.00p). The Kuala Lumpur Dec fob* price for RSS No 1 was 191.0 (same) and for SMR 20 was 183.5 (same).

SOYABEAN MEAL

The market opened unchanged in thin trading, *reports* T. G. Roddick. Prices rallied during the afternoon on commission house *buying.*

	Yesterday close	+ or —	Business Done
	£ per tonne		
Dec	140.0-145.5	—	—
Feb	145.0-145.5	+1.60	145.0-144.8
April	145.4-145.6	+1.75	145.5-144.0
June	146.1-146.8	+2.35	146.0-144.0
August	148.6-149.5	+2.15	—
October	149.5-151.5	+2.50	—
Dec	150.8-153.0	+2.50	—

Sales: Nil (nil) lots of 20 tonnes, 104 (1,010) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $104.00 (£88.00), up $2.00 (up £2.00) *a tonne for Dec-Jan-Feb delivery.* White sugar $140.50, up $2.50.

The market was again confined within a dollar trading range in quiet conditions, reports C. Czarnikow.

Sales: 2,494 (3,063) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £193.00 (£191.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for December 18: Daily price 3.47 (3.46); 15-day average 3.81 (3.84).

No.6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	122.8-123.0	125.2-125.4	128.6-122.8
May	130.8-131.0	133.0-133.4	134.0-130.4
Aug	140.8-141.2	143.2-143.6	144.4-141.0
Oct	147.8-148.2	150.2-150.8	151.8-146.0
Dec	154.0-155.2	156.6-158.0	157.4
Mar	168.2-169.8	170.6-172.4	172.4-169.2
May	175.0-176.6	178.8-179.4	—

U.S. MARKETS

HEATING OIL came under pressure as reports from the Opec meeting continued to indicate major differences of opinion on how to structure new oil price differentials, reports Heinold Commodities. Grains and soyabeans rallied several times but finished uniformly lower under pressure from outside markets; heavy local and professional selling was attracted by the late sell-off in the currencies. Gold and silver attempted to con*solidate after this week's* sharp losses to show modest losses as light profit-taking provided support. Copper was under pressure *on* liquidation linked to disappointment over the market's failure to respond to the late rally *in stock values. Sugar de*clined *from* continued bearish fundamentals. Cocoa was weak on arbitrage selling *prompted* by sterling weakness.

NEW YORK

ALUMINIUM 40,000 lb. cents/lb

	Close	High	Low	Prev
Dec	48.60	—	—	48.95
Jan	48.65	—	—	49.00
Feb	49.05	—	—	49.45
March	*49.50*	50.25	49.50	49.90
May	50.30	50.70	50.70	50.70
July	51.10	51.60	51.60	51.55
Sept	51.90	52.40	52.40	52.40
Dec	53.15	—	—	53.75
Jan	53.55	—	—	54.20
March	54.40	—	—	55.10

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	2036	2054	2034	2054
May	2056	2067	2050	2070
July	2055	2070	2052	2078
Sept	2063	2070	2055	2081
March	2021	—	—	2040
May	2011	—	—	2030

COFFEE "C" 37,000 lb. cents/lb

	Close	High	Low	Prev
March	140.09	40.25	38.40	38.67
May	138.08	38.10	36.60	36.88
July	*136.28*	*36.25*	*34.90*	*35.47*
Sept	134.30	34.60	33.50	33.83
Dec	133.28	33.30	32.30	32.78
March	132.05	32.00	31.50	31.88
May	130.50	—	—	30.25

COPPER 25,000 lb. cents/lb

	Close	High	Low	Prev
Dec	58.20	58.80	58.30	58.65
Jan	58.25	58.85	58.75	58.80
Feb	58.65	—	—	59.20
March	*59.05*	*59.80*	*59.00*	*59.80*
May	59.75	60.45	59.70	60.30
July	60.45	61.20	60.45	61.00
Sept	61.15	61.90	61.30	61.70
Dec	62.20	62.95	62.25	62.75
Jan	62.55	—	—	63.10
March	63.25	63.50	63.40	63.80

COTTON 50,000 lb. cents/lb

	Close	High	Low	Prev
March	66.76	67.05	66.55	66.86
May	*67.52*	*67.68*	*67.30*	*67.49*
July	68.25	68.50	68.15	68.25
Oct	68.55	—	—	68.40
Dec	68.65	68.85	68.50	68.70
March	69.65	—	—	69.75
May	70.30	—	—	70.40

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Feb	26.34	26.70	26.33	26.79
March	26.26	26.67	26.26	26.76
April	26.15	26.56	26.15	26.69
May	26.20	26.48	26.15	26.66
June	26.27	26.27	26.27	26.63
July	26.60	—	—	26.62
August	—	—	—	26.60
Sept	26.40	26.40	26.40	26.80
Oct	26.40	26.40	26.40	26.80
Nov	26.40	26.40	26.40	26.80

GOLD 100 troy oz. $/troy oz

	Close	High	Low	Prev
Dec	308.7	310.0	308.0	308.7
Jan	309.1	311.5	311.0	309.5
Feb	311.7	313.4	310.0	311.5
April	315.1	317.4	313.8	315.4
June	319.6	321.5	319.0	319.9
August	324.3	324.9	323.0	324.5
Oct	329.2	331.0	329.0	329.4
Dec	334.4	336.0	334.0	334.6
Feb	340.0	340.5	339.5	340.2
April	345.6	345.8	343.0	345.8
June	351.8	352.0	352.0	352.0
August	358.1	359.3	358.3	358.3
Oct	364.8	367.0	367.0	365.0

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Close	High	Low	Prev
Jan	73.75	75.20	73.76	75.14
Feb	74.05	75.50	74.05	75.40
March	71.75	73.25	71.75	73.32
April	69.75	70.85	69.60	70.95
May	68.75	69.70	68.70	70.10
June	69.01	69.25	69.01	69.25

ORANGE JUICE 15,000 lb. cents/lb

	Close	High	Low	Prev
Jan	161.70	61.70	59.90	59.95
March	163.50	63.50	62.10	62.40
May	*164.05*	*64.10*	*63.30*	*63.30*
Sept	162.30	61.90	61.50	61.50
Nov	160.90	60.50	60.50	61.00
Jan	160.75	61.10	61.00	60.50
March	160.75	—	—	60.50

PLATINUM 50 troy oz. $/troy oz

	Close	High	Low	Prev
Dec	291.1	—	—	291.9
Jan	291.1	293.5	288.0	291.9
Feb	*293.1*	—	—	*293.9*
April	296.6	296.2	293.5	297.4
July	303.4	306.0	302.5	304.2
Oct	310.5	311.1	311.0	311.3
Jan	317.8	—	—	318.6

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Dec	630.0	638.5	628.0	629.7
Jan	631.3	638.0	638.0	631.5
Feb	635.3	639.0	638.5	636.6
March	*639.5*	*649.5*	*636.0*	*640.0*
May	648.0	659.0	646.0	648.5
July	658.8	669.5	657.0	659.3
Sept	669.4	678.0	667.0	669.9
Dec	686.4	696.0	685.0	686.9
Jan	692.2	690.0	687.0	692.7
March	703.6	715.0	701.0	704.1

SUGAR WORLD "11" 112,000 lb. cents/lb

	Close	High	Low	Prev
Jan	3.70	3.80	3.69	3.76
March	4.32	4.47	4.31	4.42
May	4.66	4.83	4.65	4.78
July	4.97	5.13	4.96	5.08
Sept	5.26	5.42	5.25	5.34
Oct	*5.44*	*5.58*	5.43	5.53
Jan	5.96	6.15	5.96	6.06
March	6.42	6.56	6.55	6.54
May	6.68	—	—	6.80

SPOT PRICES—Chicago loose lard 27.00 (26.50) cents per pound. New York tin 528.0-540.0 (533.0-544.0) cents per pound. Handy and Harman silver bullion 637.0 (640.0) cents per troy ounce.

CHICAGO

LIVE CATTLE 40,000 lb. cents/lb

	Close	High	Low	Prev
Dec	67.00	67.10	66.56	67.25
Feb	65.90	66.00	65.72	66.07
April	67.30	67.40	67.15	67.42
June	66.97	67.02	66.75	67.07
August	65.02	65.10	64.90	65.15
Oct	63.02	63.15	62.95	63.07
Dec	64.60	64.60	64.25	64.60

LIVE HOGS 30,000 lb. cents/lb

	Close	High	Low	Prev
Feb	51.85	51.97	51.45	51.80
April	48.30	48.50	47.90	48.12
June	51.30	51.35	50.65	50.97
July	*51.42*	*51.50*	*50.95*	*51.17*
August	48.87	49.17	48.66	48.75
Oct	45.70	45.70	45.20	45.90
Dec	46.45	46.50	46.10	46.55
Feb	47.25	47.25	47.25	47.40

PORK BELLIES 38,000 lb. cents/lb

	Close	High	Low	Prev
Feb	73.42	73.56	72.26	73.22
March	73.20	73.30	72.15	73.15
May	73.65	73.80	72.75	73.45
July	73.45	73.60	72.90	73.56
August	70.90	71.00	70.40	71.00
Feb	66.45	66.45	66.40	66.70

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Dec	256.6	258.0	255.6	257.0
March	268.2	269.4	267.8	268.6
May	275.4	276.4	275.2	276.2
July	279.6	280.6	279.0	279.0
Sept	276.0	277.0	276.0	276.0
Dec	272.6	273.6	272.4	272.4
March	284.2	285.0	284.2	283.6

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Jan	590.2	595.2	590.0	594.0
March	603.6	608.6	603.6	607.2
May	616.6	621.4	616.4	620.2
July	626.6	631.4	626.4	630.2
August	628.0	632.4	628.0	631.4
Sept	621.4	624.4	621.4	622.4
Nov	622.4	626.0	622.4	622.6
Jan	636.0	639.0	636.0	636.6

SOYABEAN *MEAL* 100 tons, $/ton

	Close	High	Low	Prev
Dec	143.3	143.8	143.3	144.0
Jan	143.8	145.5	143.6	145.2
March	149.5	150.8	149.5	150.9
May	155.1	156.5	155.1	156.5
July	160.1	161.3	160.0	161.4
August	161.5	163.2	161.5	163.0
Sept	163.5	164.3	163.5	164.0
Oct	165.0	167.0	165.0	165.0
Dec	169.5	171.0	169.5	170.0

SOYABEAN *OIL 60,000 lb, cents/lb*

	Close	High	Low	Prev
Dec	27.30	28.10	27.20	27.93
Jan	26.09	26.60	26.06	26.48
March	25.48	25.93	25.47	25.79
May	*25.26*	*25.60*	*25.15*	*25.48*
July	24.95	25.30	24.86	25.20
August	24.63	24.80	24.50	24.85
Sept	24.40	24.90	24.00	24.60
Oct	23.80	24.25	23.75	24.05
Dec	23.47	23.80	23.25	23.80

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	346.2	348.4	345.2	347.6
March	343.2	343.6	341.2	343.4
May	337.6	338.0	336.2	337.6
July	331.4	332.0	330.0	331.2
Sept	334.0	334.6	333.2	334.6
Dec	344.4	—	—	345.4

OTHER MARKETS

HIDES

HIDES—Manchester and Leeds (Birmingham). Second clears. Ox: 31-35.5 kg, 104.0p a kg withdrawn, 104.8p (103.6p withdrawn): 26-30.5 kg. 112.7p a kg, 112.0p withdrawn (112.5p *withdrawn); 22-25.5 kg, 129.3p a kg* withdrawn, 129.5p (128.6p). Cows: 25.5 kg, 130.4p a kg, 129.5p (129.0p).

WOOL

SYDNEY GREASY WOOL—Close (in order: buyer, seller business). Australian cents per kg. Dec 574.0, 580.0, *571.0; March* 581.5, 582.0, *582.0; May* 584.0, 590.0, untraded; July 591.0, 597.0, 595.0: Oct 580.0, 585.0, untraded; Dec 584.0, 587.0, untraded: March 585.0, 598.0, untraded: May 598.0, 605.0, untraded. Sales: 7.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Dec 497, 508, *nil*: Jan 507, 512, 512-*510; March* 517, 519, 521-518; *May* 528, 530, 530-527; Aug 544, 545, 547-544: Oct 543, 546, 548-545; Dec 545, 547, 550-547: Jan 549, 551, 553-548: March 554, 556, 558-555: May 560, 562, 565-*560. Sales: 258.*

COTTON

LIVERPOOL—Spot and shipment sales amounted to *130 tonnes. Mixed operations* indicated some freer involvement among spinners. Activity centred on Middle Eastern growths including Russian and Turkish.

ROTTERDAM

WHEAT—(U.S. $ per tonne), U.S. No. 2 Soft Red Winter: Jan 156.50, Feb 158, *March* 157.50. *U.S. No. 2 Nor*thern Spring, 14 per cent protein: Dec 177, Jan 181, Feb 183.50, March 186, April/May 172.50. U.S. Northern Spring, 15 per cent protein: Dec 15/Jan 15 195, *April/May* 189.50. U.S. No. 3 Hard Amber Durum: Dec 200, Jan 202, Feb 204, March 205, April/May 185, June 187, Sept 184. Canadian No. 1 Western Amber Durum: April/May 207.50.

MAIZE — (U.S. $ per tonne). U.S. No. 3 Yellow: Afloat 132.50, Dec 130.50, Jan 128, Feb 130.50, March 131, April/June 132.50, July/Sept 134.50, sellers. Argentine, Plate: March 139, April/June 135, sellers.

SOYABEANS — (U.S.$ per tonne): U.S. No Two Yellow Gulfports Dec 242.90, *Jan* 243.10, *Feb* 244.40, *March* 247, April 248.90, May 250.30, June 252.50, July 253.30 sellers.

SOYAMEAL — (U.S.$ per tonne): 44 per cent afloat 163-164, Dec 166, *Jan 164.50, Feb and March 166, April/* Sept 173 sellers.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Oil drives pound to record low

Sterling was the centre of attention on the foreign exchanges yesterday. The market was very thin, as usual for this time of the year. Major banks have already squared their positions for the year-end, and the lack of activity tended to exaggerate any movement. Oil was the major factor depressing the pound, which fell to a record low against the dollar and in terms of major currencies in general.

North Sea oil prices remained weak on the European spot market, as ministers from the Organisation of Petroleum Exporting Countries met in Geneva.

Despite the comment from Sheikh Yamani of Saudi Arabia about possible cuts in production to protect prices, the market was very sceptical of Opec's ability to prevent an slide in prices next year.

The pound's exchange rate index opened 0.1 higher at 73.7, but declined steadily from the early morning, to touch an all-time low of 73.1 at 2 pm, before *finishing at a record closing low* of 73.3. Six months ago the index stood at 79.6.

Sterling fell below $1.18 during the morning and continued to weaken, despite one or two attempts at recovery. It fell to an all-time trading low of $1.1700-$1.1710 in the afternoon, and ended at a record closing low of $1 1740-1.1750, a fall of 1.15 cents on the day. The pound also declined to DM 3.64 from DM 3.66; FFr 11.1450 from FFr 11.2225; SwFr 3.0025 from SwFr 3.0125; and Y291 from Y292.50.

The dollar moved higher despite a softer tone to U.S. interest rates and speculation the Federal Reserve may cut its discount rate. Estimates varied widely about the likely flash estimate of U.S. fourth quarter Gross National Product growth, but the published figure of 2.8 per cent, compared with a revised 1.6 per cent from 1.9 per cent for the third quarter, was above most forecasts. This lent support to the dollar in the afternoon, after a firm start and steady trading throughout the morning in a thin market.

The dollar rose to DM 3.0990 from DM 3.0870; FFr 9.4850 from FFr 9.4575; SwFr 2.5580 from SwFr 2.5220; and Y247.70 from Y246.70.

On Bank of England figures the dollar's index rose to 143.2 from 142.7.

D-MARK — Trading range against the dollar in 1984 is 3.1410 to 2.5533. November average 2.9906. Trade-weighted index 120.7 against 125.1 six months ago.

The D-mark was firmer overall at the Frankfurt fixing in very quiet trading. The Bundesbank sold $9.85m when the dollar was fixed at DM 3.09 compared with DM 3.0944 on Tuesday, when the central bank sold $8.5m. There was reported to be a trickle of commercial interest, but little other activity, and there was no sign of intervention by the Bundesbank on the open market. The only major point of interest was the flash estimate of U.S. fourth quarter GNP, which according to Frankfurt dealers was expected to show growth of between 2 per cent and 2.5 per cent. This was not far from the final outcome, although a rather lower figure had been forecast elsewhere. Sterling remained weak, falling to DM 3.6390 from DM 3.6560, while the Swiss franc declined to DM 1.2122 from DM 1.2130.

£ in New York

	December 19	Prev. close
£ Spot	$1.1780-1.1790	$1.1870-1.1880
1 month	0.10-0.07pm	0.11-0.10 pm
3 months	0.26-0.23pm	0.37-0.35 pm
12 months	0.05pm-0.10dis	0.30-0.21 dis

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.6943	−0.46	+0.14	±1.5428
Danish Krone	8.14104	7.98218	−1.96	−1.35	±1.6421
German D-Mark	2.24184	2.22796	−0.62	−0.02	±1.1463
French Franc	6.87456	6.82620	−0.70	−0.10	±1.3659
Dutch Guilder	2.52595	2.51514	−0.43	+0.17	±1.5165
Irish Punt	0.72569	0.713536	−1.67	−1.07	±1.6671
Italian Lira	1403.49	1372.52	−2.21	−2.11	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Dec 19	Previous
8.30 am	73.7	73.7
9.00 am	73.7	73.8
10.00 am	73.5	73.8
11.00 am	73.4	73.8
Noon	73.3	73.5
1.00 pm	73.2	73.5
2.00 pm	73.1	73.6
3.00 pm	73.2	73.7
4.00 pm	73.3	73.6

POUND SPOT—FORWARD AGAINST POUND

Dec 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1700-1.1875	1.1740-1.1750	0.13-0.10c pm	1.17	0.37-0.32 pm	1.17
Canada	1.5450-1.5620	1.5475-1.5495	0.06-0.14c dis	−0.77	0.04-0.18dis	−0.28
Nethlnd.	4.09¼-4.13¾	4.10½-4.11½	1½-1¼c pm	4.01	4⅝-4⅜ pm	4.14
Belgium	72.71-73.50	72.95-73.05	4-10c dis	−1.15	7-16 dis	−0.63
Denmark	13.01½-13.11½	13.02½-13.03½	2⅞-3⅞ore dis	−2.76	5⅞-6⅞ dis	−1.65
Ireland	1.1620-1.1695	1.1625-1.1640	0.46-0.62p dis	−5.57	1.23-1.54dis	−4.75
W. Ger.	3.62½-3.66½	3.63½-3.64½	1½-1¼pf pm	4.12	3¾-3½ pm	3.91
Portugal	195.20-198.16	195.35-196.75	180-600c dis	−23.87	520-1550dis	−22.14
Spain	201.00-202.60	201.05-201.45	50-75c dis	−3.73	135-160 dis	−2.93
Italy	2,228-2,256½	2,236-2,237	8-11 lire dis	−5.10	21-27 dis	−4.29
Norway	10.54-10.63	10.55½-10.56½	2⅞-3⅞ore dis	−3.62	5⅞-8½ dis	−2.72
France	11.10-11.22½	11.14-11.15	⅞-1⅜c dis	−1.35	1¾-2⅞ dis	−0.83
Sweden	10.41-10.48	10.42½-10.43½	1⅞-2⅞ore dis	−2.16	4⅞-5 dis	−1.80
Japan	290-293	290½-291½	0.88-0.75y pm	3.32	2.48-2.35 pm	3.32
Austria	25.50-25.71	25.57-25.61	4-2⅞gro pm	1.44	14½-9⅞ pm	1.91
Switz.	2.99¼-3.02¾	2.99¾-3.00¾	⅛-⅞c pm	4.25	3⅜-3⅜ pm	4.75

Belgian rate is for convertible francs. Financial franc 73.15-73.30. Six-month forward dollar 0.45-0.40c pm, 12-month 0.30-0.15c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1700-1.1875	1.1740-1.1750	0.13-0.10c pm	1.17	0.37-0.32 pm	1.17
Ireland†	1.0070-1.0115	1.0080-1.0090	0.58-0.53c pm	6.59	1.55-1.45 pm	5.94
Canada	1.3157-1.3207	1.3195-1.3205	0.21-0.24c dis	−2.05	0.51-0.55dis	−1 61
Nethlnd.	3.4810-3.5010	3.4995-3.5005	0.81-0.78c pm	2.73	2.47-2.43 pm	2.81
Belgium	61.85-62.20	62.10-62.20	9-10c dis	−1.84	21-23 dis	−1.42
Denmark	11.04-11.10½	11.09¼-11.09¾	3-3½ore dis	−3.52	7⅞-8⅞ dis	−2.89
W. Ger.	3.0820-3.1030	3.0985-3.0995	0.77-0.72pf pm	2.89	2.36-2.31 pm	3.02
Portugal	166-167	166½-167	175-525c dis	−25.30	500-1450dis	−23.49
Spain	170.55-171.38	171.10-171.25	65-75c dis	−4.91	170-190 dis	−4.21
Italy	1,898-1,905½	1,904-1,905	10½-11 lire dis	−6.77	28-28¾ dis	−5.96
Norway	8.93½-8.99¾	8.98¾-8.99¼	3.40-3.90ore dis	−4.88	9.60-10.10dis	−4.39
France	9.45¾-9.49½	9.48¼-9.48¾	2.00-2.15c dis	−2.63	4.90-5.30dis	−2.15
Sweden	8.82¾-8.87¾	8.87¼-8.87¾	2.10-2.60ore dis	−3.19	6.45-6.95dis	−3.03
Japan	246.60-247.95	247.65-247.75	0.45-0.41y pm	2.09	1.40-1.35 pm	2.22
Austria	21.65-21.78½	21.76-21.78	1-par gro pm	0.28	5-2 pm	0.64
Switz.	2.5410-2.5630	2.5575-2.5585	0.66-0.60c pm	2.96	2.24-2.18 pm	3.47

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.30-62.40.

OTHER CURRENCIES

Dec. 19	£	$		£ Note Rates
Argentina Peso	190.28 190.60	161.88-162.00	Austria	25.60-25.90
Australia Dollar	1.4080 1.4100	1.2005-1.2010	Belgium	73.50-74.30
Brazil Cruzeiro	5,616.97-3,536.92	3,993-3,008	Denmark	13.06-13.18
Finland Markka	7.5732 7.5972	6.4460-6.4470	France	11.16-11.27
Greek Drachma	148.90-151.90	125.46-127.98	Germany	3.64¼-3.68¼
HongKong Dollar	9.1970-9.2070	7.8245-7.8275	Italy	2245-2275
Iran Rial	110.90*	93.20*	Japan	293 296
KuwaitDinar(KD)	0.35710-0.35755	0.30340-0.30358	Netherlands	4.11-4.16
Luxembourg Fr.	72.95-73.35	62.10 62.20	Norway	10.56-10.66
Malaysia Dollar	2.8370-2.8450	2.4155-2.4165	Portugal	201-211
New Zealand Dlr.	2.4340-2.4390	2.0715 2.0745	Spain	198-216¼
Saudi Arab Riyal	4.1905 4.1955	3.5605 3.5615	Sweden	10.44-10.55
Singapore Dollar	2.5538 2.5595	2.1725-2.1745	Switzerland	3.01-3.04
Sth African Rand	2.2649 2.2756	1.9230-1.9285	United States	1.17¾-1.19¾
U.A.E. Dirham	4.3215-4.3270	3.6720-3.6760	Yugoslavia	260-319

* Selling rates.

CURRENCY MOVEMENTS

Dec 19	Bank of England Index	Morgan Guaranty Changes%
Sterling	73.3	−17.2
U.S. dollar	143.2	+29.4
Canadian dollar	90.4	−3.6
Austrian schilling	110.7	+3.3
Belgian franc	86.8	−10.5
Danish Kroner	76.7	−5.1
Deutsche mark	120.7	+6.2
Swiss franc	139.7	+9.5
Guilder	110.6	+3.1
French franc	63.8	−16.3
Lira	46.8	−13.7
Yen	156.4	+12.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 19	Bank rate %	Special Drawing Rights	Europ'n Currency Unit
Sterling	—	0.838196	0.613077
U.S. $	8½	0.988196	0.720672
Canadian $	10.55	*	0.948836
Austria Sch.	4½	21.4389	15.6314
Belgian Fr.	11	61.2879	44.6943
Danish Kr.	7	10.9443	7.98216
Dmark	4½	N/A	2.22796
Guilder	5	3.44880	2.51514
French Fr.	9½	9.35229	6.82620
Lira	16½	1882.88	1372.52
Yen	5	243.887	178.258
Norwgn.	8	8.86412	6.46731
Spanish	½	169.029	123.307
SwedishKr.	9	8.72923	6.36695
Swiss Fr.	4	2.51990	1.83879
Greek D'rch.	20½	125.923	91.3163
Irish Punt	12¾	N/A	0.713537

* CS/SDR rate for December 18: 1.30186

EXCHANGE CROSS RATES

Dec. 19	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Frank
Pound Sterling	1.	1.176	3.640	291.9	11.15	3.003	4.110	2237.	1.549	73.00
U.S. Dollar	0.851	1.	3.099	247.7	9.485	2.558	3.50	1905.	1.318	62.15
Deutchemark	0.275	0.323	1.	79.95	3.062	0.825	1.129	614.4	0.425	20.05
Japanese Yen 1,000	3.436	4.036	12.51	1000.	38.30	10.32	14.12	7686.	5.321	250.9
French Franc 10	0.897	1.054	3.266	261.1	10.	2.694	3.686	2007.	1.389	65.50
Swiss Franc	0.333	0.391	1.212	96.92	3.712	1.	1.369	744.9	0.516	24.31
Dutch Guilder	0.243	0.286	0.886	70.80	2.712	0.731	1.	544.2	0.377	17.76
Italian Lira 1,000	0.447	0.525	1.626	130.1	4.983	1.342	1.838	1000.	0.692	32.64
Canadian Dollar	0.646	0.758	2.351	187.9	7.197	1.939	2.654	1444.	1.	47.14
Belgian Franc 100	1.370	1.608	4.986	398.6	16.27	4.113	5.630	3064.	2.121	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 19	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	9⅜ 9½	7 11/16-7 13/16	9¾-10⅛	5 9/16-5 11/16	1⅛-1⅜	5⅜ 5½	10⅞ 11⅛	14½-15½	10½-11	10½ 10¾	6 3/16 6⅜	11¾-12¼
7 days' notice	9⅜ 9½	7 11/16-7 13/16	10⅛-10½	5 9/16-5 11/16	1⅛-1⅜	5⅜ 5½	10¾-11	15 16	10½-11	10½-10¾	6⅜ 6 7/16	12⅛-12⅝
Month	9 9/16-9 11/16	8¼ 8⅜	10⅛-10 7/16	5⅝-5¾	5⅛ 5¼	5½ 5⅝	10⅝-10⅞	14⅜-14⅞	10½ 11	10⅝ 10⅞	6 7/16-6⅝	12 12½
Three months	9 11/16 9 13/16	8½ 8⅝	10⅛-10 7/16	5⅝ 5¾	4⅞-5	5½-5⅝	10⅝-10⅞	14⅜-14⅞	10½-11	10⅝ 10⅞	6¼ 6 7/16	11⅝-12⅛
Six months	9 15/16 10 1/16	9 9⅛	10¼-10⅝	5 11/16 5 13/16	4 11/16-4 13/16	5½ 5⅝	11-11¼	14⅝ 14¾	10½-11	10⅝ 10⅞	6¼-6 7/16	11⅝-11⅞
One year	9 15/16-10 1/16	9 13/16 9 15/16	10⅝-10¾	5 13/16 5 15/16	4 13/16-4 15/16	5⅛ 5⅝	11⅜-11⅝	14⅝ 14⅞	10½-11	10⅝-10⅞	6¼-6 7/16	11¼-11¾

Asian $ (closing rates in Singapore): Short-term 7 9/16-7 11/16 per cent; seven days 7⅞-8 per cent; one month 8¼-8⅜ per cent; three months 8⅜-8½ per cent; six months 8 13/16-9⅛ per cent; one year 9 11/16-9 13/16 per cent. Long-term Eurodollars: two years 10¾-11 per cent; three years 11¼-11½ per cent; four years 11¼-11½ per cent; five years 11½-11¾ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Period rates firm on weak pound

Longer term rates were firmer in London yesterday, reflecting concern over sterling's fall to record levels. Short term rates were also marked up as the market faced a shortage of over £1bn in day to day credit. Three-month leigible bank bills were bid at 9¼-9 5/32 per cent while three-month interbank money rose to 9 11/16-9 13/16 per cent from 9⅝-9 13/16 per cent. Overnight interbank money opened at 9¼-9⅜ per cent and touched a high of 11 per cent as funds were hard to come by for much of the day.

The Bank of England forecast a shortage of around £1,400m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £278m and Exchequer transactions a further £750m. In addition there was a rise in the note circulation of £335m and banks brought forward balances £45m below target. Total help was £1,345m.

To help alleviate the shortage the Bank of England offered an early round of assistance totalling £353m. This comprised purchases of £10m of eligible bank bilsl in band 1 (up to 14 days) at 9½ per cent and £14m in band 2 (15-33 days) at 9½ per cent. In band 3 (64-91 days) it bought £45m of eligible bank bills and £18m of Treasury bills all at 9½ per cent. Further assistance in the morning totalled £153m and comprised £10m of Treasury bills in band 1 at 9½ per cent. It also bought £21m of eligible bank bills in band 3 at 9½ per cent. In band 4 it bought £7m of Treasury bills, £9m of local authority bills and £67m of bank bills at 9½ per cent.

Assistance in the afternoon totalled £684m and comprised purchases of £40m of Treasury bills and £156m of eligible bank bills in band 1 at 9½ per cent and £172m of eligible bank bills in band 2 at 9½ per cent. In band 3 it bought £32m of local authority bills and £215m of eligible bank bills at 9½ per cent and in band 4 £13m of Treasury bills at 9½ per cent. It also bought £5m of local authority bills and £26m of eligible bank bills in band 4 at 9½ per cent. Additional help comprised sale and repurchase agreements on £25m of bills at 9⅜ per cent, unwinding on January 15. The Bank also provided late assistance of £155m.

UK clearing banks' base lending rate 9½-9¾ per cent since November 23.

MONEY RATES

Dec. 19	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.50	11¼	1⅞-2⅛	5½-5⅝	6.28125	16⅞-17¼	9.60	14⅝-14⅞
One month	5.75-5.90	10¾-10⅞	5 5/16-5 7/16	5 9/16-5 11/16	6.46875	16⅞-17¼	10⅝-10⅞	14¾ 15
Two months	5.70-5.90	10⅝ 10¾	—	—	—	—	—	14¾-15
Three months	5.70-5.85	10 11/16 10 13/16	4 13/16 5 1/16	5⅝-5¾	6.28125	16⅞-17¼	10⅝-10⅞	14¾-15
Six months	5.70-5.85	10 11/16-10 15/16	—	5¾ 5⅞	—	—	10½ 10¾	14½-14¾
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	10¾	—	5¾	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Dec. 19 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	9⅛ 11	9½-9⅝	9½-10½	9⅝-10	—	—	—	—	—
2 days notice	—	—	9⅛-9⅜	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9⅛ 9⅝	9¼-9½	9½-9¾	9⅛-9¼	—	—	—	—	—
One month	9⅝-9½	9 7/16-9⅝	9 7/16	9¾	9⅝	9 13/32	9 11/32	9⅜-9 13/32	9 13/32	10 1/16
Two months	9 11/16 9⅝	9⅝-9⅞	9⅝	9⅞	9⅝	9 9/32	9¼	9¼-9 9/32	9¼	9 15/32
Three months	9¾-9 11/16	9⅝-9 13/16	9 13/16	10	9⅝	9⅛	9 3/32	9⅛-9 5/32	9⅜	9 15/32
Six months	9⅞-9¾	9 15/16 9 13/16	9 13/16	—	—	—	—	9 7/16	9 7/16	10 1/16
Nine months	10-9⅞	9 15/16-10 1/16	—	—	—	—	—	—	—	—
One year	10-9⅞	9 15/16-10 1/16	10⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	10⅛ 9¾	—	9⅛	8.15 8.25	7¾ 8	9⅛ 9 5/16
Two months	10⅛ 9¾	—	9¾	8.2 8.3	7 13/16 8 1/16	9⅛ 9⅜
Three months	10⅛ 9¾	—	9⅞	8.4 8.5	7⅞ 8⅛	9 5/16 9 9/16
Six months	10⅛ 9¾	—	10	8.85-8.95	8 5/16 8 9/16	9 5/16 9⅝
Nine months	10¼ 10	—	10⅛	9.0-9.2	—	—
One year	10¼ 10	—	10¼	9.45-9.65	8 11/16 9 1/16	9⅝ 9 13/16
Two years	—	10½	—	—	—	—
Three years	—	10⅝	—	—	—	—
Four years	—	10⅞	—	—	—	—
Five years	—	11	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period November 7 to December 4 1984 (inclusive): 9.904 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from December 1 1984. London and Scottish Clearing Bank Rates for lending 9½-9¾ per cent. London Deposit Rates for sums at seven days' notice 6-6¼ per cent. Treasury Bills: Average tender rates of discount 9.0905 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over half under one month 9¾ per cent; one-three months 9¾ per cent; three-six months 9¾ per cent; six-nine months 10 per cent; nine-12 months 10¼ per cent. Under £100,000 9½ per cent from November. Deposits held under Series 5, 10 per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. December 19)

3 months U.S. dollars	
bid 8 7/16	offer 8 9/16
6 months U.S. dollars	
bid 8 15/16	offer 9 1/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10¾-11¼
Broker loan rate	9¼-10¼
Fed funds	7⅞
Fed funds at intervention	—

Treasury Bills

One month	7.30
Two month	7.55
Three month	7.79
Six month	7.99
One year	8.29

Treasury Bonds

Two year	100 25/32
Three year	101 21/32
Four year	102 7/32
Five year	100 11/32
Seven year	104 11/32
10 year	101 17/32
30 year	103 7/32

FINANCIAL FUTURES

Eurodollars ease

Euro-dollar prices lost ground in the London International Financial Futures Exchange yesterday. Values were marked firmer initially but lost ground as the third quarter U.S. GNP flash estimate was a little above market expectations and was interpreted as a sign of continued U.S. economic growth. Consequently the prospect of the Federal authorities initiating a further relaxation in monetary policy subsided although there was still a strong feeling that the U.S. discount rate would be cut from its current level of 8½ per cent.

The March contract opened at 90.70 up from 90.64 and touched a high of 90.72 before slipping away to a low of 90.51 and a closing rate of 90.55.

Sterling based contracts were depressed by a slightly firmer feel to the cash market following sterling's fall to record lows. While there did not appear to be any strong selling pressure on sterling, the prospect of lower oil prices, which is the current factor behind sterling's fall, seems unlikely to go away in the New Year when sterling could attract further downward pressure.

The three-month sterling deposit contract for March delivery opened firmer at 90.16 from 90.14 but fell away during the day to a close of 89.97. Similarly the March gilt price slipped from an opening level of 107-10 to finish at 106-30, down from 107-08 on Tuesday.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.55	90.72	90.51	90.64
June	90.01	90.18	89.98	90.12
Sept	89.52	89.71	89.52	89.66
Dec	89.10	89.22	89.10	89.24
March	88.75	—	—	88.89

Est volume 3,587 (4,214)
Previous day's open int 9,209 (9,103)

THREE-MONTH STERLING £250,000 points of 100%

	Close	High	Low	Prev
March*	89.97	90.16	89.96	90.14
June*	89.84	89.96	89.84	89.95
Sept*	89.67	89.75	89.67	89.78
Dec*	89.43	89.60	89.43	89.53
March*	89.31	—	—	89.41

Est volume 1,104 (1,118)
Previous day's open int 4,853 (4,794)
*£500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	107-15	107-27	107-10	107-28
March	106-30	107-13	106-22	107-08
June	106-11	—	—	106-21
Sept	109-15	—	—	109-25
Dec	109-04	—	—	109-14

Est volume 3,082 (3,324)
Previous day's open int 3,914 (3,802)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −10 to −2 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.1745	1.1820	1.1720	1.1822
June	1.1738	—	—	1.1816
Sept	1.1738	—	—	1.1820

Est volume 128 (4,072)
Previous day's open int 3,658 (5,454)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3248	0.3265	0.3248	0.3264

Est volume 8 (9)
Previous day's open int 154 (149)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.3937	0.3938	0.3936	0.3966

Est volume 2 (nil)
Previous day's open int 113 (113)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.4056	0.4058	0.4056	0.4074

Est volume 4 (nil)
Previous day's open int 127 (127)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	122.30	122.35	121.70	121.50
March	122.45	122.75	122.00	121.80
June	122.65	—	—	122.00

Est volume 303 (445)
Previous day's open int 1,113 (1,144)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	73-09	73-26	73-09	73-09
March	72-05	72-24	72-04	72-09
June	71-16	—	—	71-21

Est volume 2,021 (2,489)
Previous day's open int 1,961 (1,981)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	73-07	73.17	73.04	73.22
March	72-06	72-15	72-03	72-22
June	71-14	71-25	71-13	71-31
Sept	70-23	71-01	70-03	71-11
Dec	70-05	70-16	70-05	70-24
March	69-21	69-26	69-21	70-08
June	69-08	69-10	69-08	69-26
Sept	68-24	69-00	68-24	69-13
Dec	—	—	—	69-01
March	—	—	—	68-22
June	—	—	—	68-12

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.19	92.22	92.16	92.23
March	91.75	91.86	91.72	91.83
June	91.25	91.37	91.23	91.34
Sept	90.81	90.87	90.81	90.93
Dec	90.46	90.50	90.46	90.57
March	90.11	90.11	90.11	90.25
June	89.87	—	89.87	89.97
Sept	89.61	—	89.61	89.71

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.67	91.76	91.65	91.75
March	90.92	91.04	90.90	91.04
June	90.34	90.46	90.34	90.50

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	90.53	90.68	90.51	90.66
June	89.98	90.13	89.95	90.12
Sept	89.48	89.66	89.47	89.65
Dec	89.06	89.21	89.05	89.23
March	88.70	88.88	88.70	88.87
June	88.38	88.55	88.38	88.55
Sept	88.09	88.20	88.09	88.25

STERLING (IMM) $s per £

	Latest	High	Low	Prev
March	1.1725	1.1740	1.1705	1.1850
June	1.1720	1.1730	1.1710	1.1845
Sept	1.1730	1.1800	1.1710	1.1845
Dec	1.1730	—	—	1.1845

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	69-30	70-02	69-20	69-28
March	68-27	68-31	68-24	68-31
June	68-04	68-04	68-01	68-09
Sept	—	—	—	67-24
Dec	—	—	—	67-09
March	—	—	—	—
June	—	—	—	66-14

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 19.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅝ 88	150	102¾	103¼	-0⅛	+0⅝	11.58
Austria Rep 13⅝ 92	100	110¼	110¾	+0⅛	+0½	11.44
Bank of Tokyo 13⅝ 91	100	107½	108	0	+0¾	11.81
Caisse Nat Tele 13¾ 91	100	107⅜	107⅞	+0½	+1	11.95
Canadian Pac 12½ 99	75	103⅛	103⅝	+0⅛	-1⅛	11.99
Chevron U.S.A. 12¼ 89	600	101⅞	102⅜	+0⅛	+1	11.62
Creditanstalt 13⅛ 91	100	104⅛	104⅝	0	+0⅜	12.06
Denmark Kingdom 13 91	100	104¼	104¾	+0⅛	+0¾	11.82
Denmark Kingdom 13¼ 91	100	104¾	105¼	+0¼	+0¾	12.12
Denmark 13⅞ 88 XW	100	105½	106	-0⅛	0	11.79

	Issued	Bid	Offer	Change on day	Change on week	Yield
Weyerhaeuser 12¼ 87	150	102	102½	+0½	+1	11.24
World Bank 12¼ 94	150	102⅜	102⅞	+0½	+1	11.78
World Bank 12⅞ 94	200	104¾	105¼	+0¼	-0⅜	11.95
Yasuda T&Fm 12⅞ 89	100	100⅞	101⅜	0	+0½	11.98

Average price change On day +0¼ on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7½ 94	125	101⅝	102⅛	-0¼	0	7.18
Amco Int'l 8¼ 91	100	104⅛	104⅝	+0½	+1	7.48
Asian Dev Bank 8 94	200	103⅛	103⅝	+0¼	-0¼	7.47

CONVERTIBLE BONDS (partial)	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	5/84	593	92½	93½	+1⅛	-0.85
[illegible]	10/84	7683	96½	97¾	+0⅜	15.71
[illegible]	12/84	772	92⅛	93⅛	+0⅝	3.23
[illegible]	10/83	1483	134	135	-2⅛	8.38
[illegible]	3/84	1052	105½	107½	-0¼	12.69
[illegible]	3/84	801	94¼	96⅛	+0⅜	24.26
[illegible]	4/84	677	150½	152½	+0½	8.88
[illegible]	12/83	528	101	102	+0⅛	28.56
[illegible]	2/83	385	187⅜	188⅜	+5¼	-1.54

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is to redemption of the mid-price, the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡† three month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Japanese investors welcome Toray bond

BY MAGGIE URRY IN LONDON

S. G. WARBURG is making good use of its new Japanese securities licence. Yesterday the bank launched a $50m issue for Toray Industries, the Japanese textile group. It was selling well to Japanese investors, with the help of Japanese co-leads.

The seven-year bonds have an 11¼ per cent coupon, a yield which would not appeal to European investors, although the issue was trading by the close around 101. Co-leads are Nomura International, Bankers Trust International and Mitsui Finance International, and the issue is guaranteed by Mitsui Bank.

The proceeds are expected to be swapped into yen and, because of the low coupon, probably at an advantageous rate.

Mitsui Trust announced a $5m floating rate note issue for Vestlandsbanken, the Norwegian bank, which will not be listed.

In the U.S., Salomon Brothers is making a 20-year floating rate note issue for Nordic Investment Bank. An initial tranche of $100m is being sold, and a further $150m will be available.

BHF Bank bond average		
Dec 19 102.882		Previous 102.867
High 103.042	1984	Low 98.066

Eurodollar bonds were showing new gains yesterday but fell back in the afternoon to give a net rise of about ¼ point. The Prudential straight issues were in favour once more, but zero coupon issues were affected by fears that a tax might be imposed on Japanese investors.

Credit Suisse announced a SwFr 40m private placement for the Republic of Trinidad and Tobago. The five-year bonds have a 7 per cent coupon, reflecting the borrower's rating and par issue price.

Swiss franc bonds rose yesterday, with some issues showing big increases. New Zealand's 5¾ per cent 1990 issue added 1½ points to 101½. Volume also improved.

In D-Mark bond trading prices were also better, but thin volume meant patchy rises of up to ½ point. The new World Bank issue gained ¼ point to 99¾.

Indices

NEW YORK-DOW JONES

	Dec 19	Dec 18	Dec 17	Dec 14	Dec 13	Dec 12	1984 High	1984 Low	Since Compilation High	Since Compilation Low
Industrials	1,214.77*	1,211.57	1,178.79	1,175.81	1,188.84	1,176.13	1286.64 (6/1)	1086.57 (24/7)	1287.20 (19/11/83)	41.22 (2/7/32)
Transport	558.12*	554.25	538.86	534.99	529.01	530.78	612.63	444.83	612.63	12.32

	Dec 19	Dec 18	Dec 17	Dec 14	1984 High	1984 Low
SOUTH AFRICA Gold (1958)	(u)	899.9	915.5	947.5	1098.8 (14/11)	758.1 (24/1)
SOUTH AFRICA Industrial (1958)	(u)	922.8	925.4	941.9	1105.5 (26/5)	858.5 (18/9)
SPAIN Madrid SE (30/12/83)	141.16	141.65	138.85	138.66	154.61 (8/10)	102.82 (5/1)
SWEDEN Jacobson & P. (1/1/58)	(u)	1538.9	1532.54	1542.90	1694.5 (5/2)	1302.98 (22/11)
SWITZERLAND SwissBank Cpn. (31/12/58)	385.1	381.2	382.9	381.9	388.5 (5/1)	334.5 (25/7)
WORLD Capital Intl. (1/1/70)	—	187.3	184.3	183.2	190.8 (5/6)	163.2 (14/12)

**Satuday December 15: Japan Nikkei-Dow 11,400 7. TSE 886.24.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. (u) Unavailable.

OVER-THE-COUNTER

Continued from Page 24

Stock		Sales (Hnds)	High	Low	Last	Chng
IntKing	1	1	16	16	16	-¼
LDBrnk		103	8½	8	8½	+⅛
LIN		148	7⅞	7¾	7⅞	+⅛
SonrFd		335	17½	16⅞	16⅞	-⅝
SoBost	.40	110	24⅛	23⅞	24⅛	+⅛
SoHosp		34	4½	4⅛	4⅛	-⅛
SthdFn	.52	47	29½	29¼	29¼	
Soutrst	.88	87	21⅞	21⅛	21⅞	+⅝
Sovrgn	.10	478	8⅛	8	8	-⅛
Sovran	1.68	577	38½	37¾	38¼	+⅝
SpcMic		27	2½	2¼	2⅜	+⅛
SpanA	.05e	21	3¼	3	3¼	+¼
Vodavi		10	7⅛	7⅛	7⅛	
Voltlnf		121	17	16½	16⅞	+¼
Volvo		13	25	25	25	+⅞
WO 40	.88	62	21	20½	20¾	
WalbrC	.48	39	21¼	20¾	20¾	+¼
WkrTel		163	8⅝	8⅛	8½	-⅛
WshE	1.68	602	20¼	20	20	
WFSL s	.70t	78	28¼	28	28¼	
WMSB		247	11⅝	11¼	11½	+⅛
WmAL		201	9½	9¼	9¼	-¼
WmsSn		103	10¼	9½	10¼	+⅛
WilsnF		71	9⅝	9⅝	9⅝	
WilsnH	.20	115	11½	11	11½	+⅛
Windmr	.07	288	5⅝	5⅝	5⅝	
WinEn		125	2⅜	2¼	2¼	-⅛
WiserO	.88	20	19½	19½	19½	-¼
WoodD	.80	127	18¼	18⅛	18¼	
Worthg	.56	269	22⅝	21⅞	22¼	+⅛
Writer	.15e	36	7⅛	7⅛	7⅛	+⅛
Wyman	.80	106	25¼	24¼	25	-¼